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BERLIN, September 17,1925.

[Documents issued by the] TRANSFER COMMITTEE

ECONOMIC SERVICE.

1. THE AMERICAN LOAN OF THE RENTENBANK CREDIT INSTITUTION.

AND

2. THE NEGOTIATIONS OF THE GIROZENTRALE.

1. The negotiations which have been carried on for some weeks past by the Credit Institution of the Rentenbank (Rentenbankkreditanstalt) with a view to floating a loan on the American market through a banking syndicate headed by the National City Bank, finally resulted in an agreement on September 12 last. The Rentenbank circulated a communique to the Press to the following effect :

"The American Banking group guarantees the placing of 25 million dollars worth of bonds of the Credit Institution of the Rentenbank. These bonds are repayable at par in 25 years ; the rate of interest is 7 per cent per annum ; the Sinking Fund rate is fixed at 1.5 per cent per year, including interest saved. There are two maturity dates for the interest and Sinking Fund, March 15 and September 15, the first due date being on March 15, 1926. The credit Institution is entitled to repay the loan in advance, either by one single payment or by a series of payments beginning not before September 15, 1935 and thereafter on each of the subsequent

due dates. The loan will shortly be floated in the United States and steps will be taken for it to be quoted on the New York Stock Exchange. Towards the end of the month, the Credit Institution will receive 88 per cent of the nominal amount of the bonds handed over to the National City Bank".

. . . . . .

It will be noticed that the efforts of the Credit Institution of the Rentenbank with the American bankers have not had such fruitful results as were hoped for in certain quarters. Originally there was talk of the issue of a 100 million dollar loan in one single issue ; afterwards it became a 100 million dollar loan, to be issued in instalments of 25 million dollars. In the end the National City Bank grants an amount of 25 million dollars, without committing itself in any way as to subsequent issues.

. . . . . .

The features of the new loan show no substantial difference to those of the Dawes loan. Like the Dawes loan, it is repayable in 25 years and bears interest at 7 per cent. The issue price of the new issue is however one point higher than that of the Dawes loan (93 instead of 92) ; further, the new loan is repayable at par, whereas the American "tranche" of the Dawes loan is repayable at 105.

. . . . . .

There is no mention made in the communique as to the security for the loan. This question gave rise to considerable difficulty during the negotiations with the American bankers. The American syndicate, in the first instance, expressed a wish to have direct mortgages and not mortgage bonds, as security. According to the Press, its demands were subsequently modified, and it consented to accept mortgage bonds, on condition that the mortgages which the bonds represented should be first mortgages. There would appear to be considerable difficulty in carrying out this condition, as a great proportion of landed property is still covered by old paper mark mortgages.

2. It is no secret that the Girozentrale, which is the Bank of the "German Union of Savings Banks and Giro Banks" (Deutscher Sparkassen und Giroverband), has been in negotiations with the National City Bank for some months past with a view to floating a loan in America, the proceeds of which are to be apportioned between the Communes and Associations of Communes in Germany.

According to the Press, the National City Bank has expressed its readiness in principle to place this loan, but, before doing so, is anxious to know what the attitude of the American market will be to the loan of the Credit Institution of the Rentenbank. The negotiations of the Girozentrale cannot therefore enter upon their final phase for some weeks yet.

From the French
Translated - GHL
Checked - RB
GS.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

ASSESSMENT LAW OF THE REICH

(REICHSBEWERTUNGSGESETZ)

of August 10, 1925.

(Reichsgesetzblatt I No.39 of August 15, 1925, page 214)

The Reichstag has adopted the following Law, which is hereby promulgated with the assent of the Reichsrat:

SECTION I

TAXES ON UNIT VALUES.

§ 1.

(1) For the purposes of the Tax of the Reich on Real and Personal Property (Vermögensteuer), all forms of property shall be assessed with the co-operation of the Federal States and the Communes in accordance with the provisions of the present Law.

(2) States and Communes, which levy taxes on particular forms of property according to their specific value, shall base such taxes on the values determined under the present Law. Associations of Communes (Gemeindeverbände) and independent Gutsbezirke (districts consisting of the estates of a single Landowner) are equivalent to Communes within the meaning of the present Law.

(3) Values determined in conformity with the provisions of the present Law are regarded as unit-values (Einheitswerte) and the taxes specified in paragraphs 1 and 2 are regarded as taxes on unit-values (Einheitswertsteuern) within the meaning of the present Law.

§ 2.

The entire movable and immovable property, less the debts encumbering such property, are regarded save in so far as otherwise provided, as property within the meaning of the present Law. The following kinds of property are included therein:

1. agricultural, forest and horticultural property (§§ 11 to 25);
2. property representing business capital (§§ 26 to 33);
3. landed property (§§ 34 to 37);
4. other property (§§ 38 to 44).

§ 3.

The unit-value will be determined:

1. in respect of the economic units (§ 9) of the different kinds of property specified in § 2 figures 1 to 3 and in respect of the assets specified in § 31 paragraph 3.

If the economic unit or asset exists simultaneously both in Germany and in a foreign country;

a) in the case of taxpayers with unrestricted liability within the meaning of the Law concerning the Tax on Real and Personal Property (Vermögensteuer), that portion of the unit-value which is assigned to the agricultural, forest or horticultural property, business capital or landed property situate in Germany (German capital), shall be estimated separately (§ 49 paragraph 1). The Finance Minister of the Reich (§ 86) may issue, in respect of the economic units of business capital, detailed provisions specifying how far the assets which belong to any economic unit, including in particular debts and reserve funds (§ 28), are to be regarded as being assigned to the business capital situate in Germany;

b) in the case of taxpayers with restricted liability within the meaning of the Law concerning the Tax on Real and Personal Property, the unit-value shall be determined only

in respect of that portion of the economic unit or asset which belongs to the property situated in Germany (figure la). The second sentence of figure la applies mutatis mutandis.

If the economic unit or asset exists solely outside Germany, the unit-value shall not be estimated in respect of such unit or asset (§ 49 paragraph 2).

2. in respect of the total property. The following is regarded as the total property:

a) in the case of taxpayers with unrestricted liability within the meaning of the Law concerning the Tax on Real and Personal Property, the total property of the taxpayer;

b) in the case of taxpayers with restricted liability within the meaning of the Law concerning the Tax on Real and Personal Property, the total property of the taxpayer which is situate in Germany (figure la).

§ 4.

(1) If the States, (or, in so far as therefor provided in the legislation of the States, the Communes) levy, either wholly or in part, the Tax on Land and Buildings (Grund- und Gebäudesteuer) or the Tax on Industrial Occupations (Gewerbesteuer) according to the specific value of the land, buildings or industrial occupations, they may impose:

1. the Tax on Land and Buildings in respect of the economic units of the agricultural, forest or horticultural property or of the landed property within the meaning of the present Law, in so far as such units exist in the State or Commune in question;

2. the Tax on Industrial Occupations in respect of the economic units of the business capital within the meaning of the present Law, in so far as such units exist in the State or Commune in question.

(2) The States are free to decide

1. that the assets, or parts of assets, which are specified in § 31 paragraph 3 and belong to an economic unit of the business capital, shall be subject to the Tax on Land and Buildings in place of the Tax on Industrial Occupations;

2. that the subsidiary operations of an industrial character, or parts thereof, which belong to an economic unit of the agricultural, forest or horticultural property, shall be subject to the Tax on Industrial Occupations in place of the Tax on Land and Buildings;

3. that parts of an economic unit of the agricultural, forest or horticultural property, or of the landed property shall not be subject to the Tax on Land and Buildings;

4. that parts of an economic unit of the business capital shall not be subject to the Tax on Industrial Occupations;

5. that in the case of the Tax on Industrial Occupations, debts, which have been deducted at the time when the unit-value is determined in respect of an economic unit of the business capital (§ 28 paragraph 1), shall be re-included, either wholly or in part, in the unit-value;

6. that in the case of the Tax on Industrial Occupations there shall be added to the unit-value determined for an economic unit of the business capital the value of such assets, or parts of assets, as are employed for the purposes of the business, but are not the property of the owner of the business, and may under the provisions of the present Law be disregarded for the purposes of the determining of the unit-value of the industrial concern in question. The first sentence of this paragraph applies to assets, or parts of assets, which are subject per se to the Tax on Land and Buildings in accordance with paragraph 1, figure 1, only in cases where they are not liable to the latter Tax;

7. that in the case of members of a liberal profession, or persons on a similar footing pursuing an industrial occupation, who are liable to the Tax on Industrial Occupations, the provision contained in § 26 paragraph 1 sentence 3 shall not apply;

8. that individual assets, or parts of assets, which belong to an economic unit, shall be liable to the Tax on Land and Buildings or to the Tax on Industrial Occupations at a rate other than that applicable to the other parts of the economic unit in question.

(3) In the cases mentioned in paragraph 2, figures 1 to 7, the unit-value determined for the economic unit shall be taken as the basis for the assessment of the value liable to the Tax on Land and Buildings or to the Tax on Industrial Occupations; if in this connection the value of any assets, for which a unit-value has been determined in accordance with the provisions of the present Law, has to be deducted from the unit-value of the economic unit, or added thereto, the unit-value estimated for such assets shall be deducted from or added to, the unit-value of such economic unit . Sentence I of this paragraph shall apply mutatis mutandis, in the case mentioned in paragraph 2 figure 8, to the assessment of the value for which a special rate is provided therein.

§ 5.

(1) The determining of the unit-value will be effected according to the position on a specified date (date of assessment).

(2) The general determining of the unit-value (principal assessment) will be effected at intervals of one year according to the

position on January 1 (date of principal assessment). The Finance Minister of the Reich may, with the assent of the Reichsrat and of a committee of the Reichstag, issue a decree having the effect of Law and providing that the principal assessments may be effected at intervals exceeding one year; such provision may be limited to invidual kinds of real and personal property, as specified in § 2, figures 1 to 3, or may apply to the total property.

(3) Assessments of unit-values which are necessary in addition to the principal assessments (new assessments, supplementary assessments) will be effected according to the position on the date of assessment specified in § 75 paragraph 2 and § 76 paragraph 3.

§ 6.

(1) The assessment of the unit-values holds good subject to the provision contained in § 7 for the period specified in paragraphs 2 and 3 (period of assessment).

(2) The principal assessment is valid for the calendar year beginning on the date of the principal assessment (period of principal assessment). If the principal assessment is effected under § 5 paragraph 2 sentence 2 at intervals exceeding one year, the period of the principal assessment shall be extended commensurately. If a new assessment of a unit-value (§ 75) is

made within the period of the principal assessment, the period of assessment prescribed for such unit-value expires with the date prescribed for such new assessment (§ 75 paragraph 2 sentence 1).

(3) The new assessment and the supplementary assessment are valid for the period of assessment specified in § 75 paragraph 4 and § 76 paragraph 3.

§ 7.

The assessment of a tax on unit-values shall be based on the unit-value, within whose period of assessment the date prescribed for the assessment of such tax falls.

§ 8.

(1) The present Law ranks as a Law on Taxation within the meaning of the Reichsabgabenordnung (Fundamental Law on the Taxation of the Reich).

(2) The provisions of the Reichsabgabenordnung apply, save in so far as otherwise provided, in the present Law.

SECTION II.

ASSESSMENT.

§ 9.

Subject to the provisions contained in § 12 paragraph 2 and § 26 paragraph 2 figure 3 sentence 2, several different assets shall only be regarded as belonging to the same economic unit (§ 3 figure 1 of the present Law and § 137 paragraph 2 of the Reichsabgabenordnung) provided that they belong to one and the same owner. The inclusion of several different assets in the same economic unit shall however be permissible in the case of married persons, where the assets belong partly to the husband and partly to the wife, provided that the real and personal property of husband and wife is added together for the assessment of the unit-value in respect of the total property (§ 48 paragraph 1). Sentence 2 applies mutatis mutandis in cases where the assets belong partly to the joint estate of a married persons' joint property co-partnership (Gütergemeinschaft), which has been extended after the decease of the husband or wife, and partly to the surviving husband or wife personally (§ 48 paragraph 2).

§ 10.

Agricultural, forest or horticultural property, business capital or landed property situate outside Germany is to be

assessed in accordance with the provisions of the Reichsabgabenordnung. Sentence 1 applies also to the portions of an economic unit situate outside Germany in cases where such unit exists both in Germany and outside Germany.

A. AGRICULTURAL, FOREST AND HORTICULTURAL PROPERTY.

1. Agricultural property.

§ 11.

(1) An agricultural property consists of all parts (in particular, the land and soil, buildings, stationary and movable accessories, subsidiary undertakings and special cultures) of an economic unit which permanently serves a purpose that is mainly agricultural (agricultural undertaking).

(2) The following are not included as parts of the agricultural undertaking: German and foreign currencies, money claims, securities, money debts incurred with a view to the acquisition of currencies, money claims or securities, stock exceeding the normal stock (excess stock) of non-stationary (i.e. movable) accessories. A normal stock of movable accessories consists of such stock as is requisite for carrying on the undertaking until the beginning of the following harvest; in determining

in determining what stock is requisite for carrying on the undertakings until the beginning of the following harvest, the incomings during this period will not be taken into account.

(3) Agricultural property also includes the rights on such property which conform to the provisions of the Civil Code relative to landed estate provided that the land and soil encumbered by such right serves by virtue of that right a purpose that is mainly agricultural. The unit-value of the economic unit belonging to the ground landlord is regarded as being the value of such unit less the unit-value of the right.

§ 12.

(1) There shall be included in the agricultural undertaking any land sites which serve other than agricultural purposes, provided that the main agricultural purpose of the undertaking is not seriously affected by the inclusion of such sites; this provision does not apply to sites which are to be regarded as independent undertakings or parts thereof.

(2) Further, there shall be included in the agricultural undertaking accessories employed for the working of the undertaking, even if such accessories do not belong to the ground landlord; this provision applies mutatis mutandis to buildings, which are erected on land used for an agricultural undertaking but do not belong to the ground landlord. In the cases coming under sentence 1, the total

value of the agricultural undertaking is to be divided among the owners concerned in proportion to their share of the total value; the part amounts thus allocated to the different owners rank as unit-values within the meaning of the present Law.

§ 13.

The principles laid down in the Reichsabgabenordnung relative to assessment on the basis of the capitalised yield (Ertragswerte : see § 152 paragraphs 2 to 4 of the Reichsabgabenordnung) apply to agricultural undertakings.

§ 14.

(1) The assessment of the unit-value shall be based on the conditions obtaining at the date of assessment (§ 5) as regards the size of the undertaking and the amount of the stationary accessories; otherwise, the basis to be taken shall be the position on June 30 of the year immediately preceding the date of assessment.

(2) If for the purposes of the assessment of Income Tax (Einkommensteuer) the holder of an agricultural undertaking is permitted to base such assessment on a key-date other than June 30, such special key-date shall be taken as the key-date under the provision of paragraph 1 in place of June 30; if the undertaking is not worked by the ground landlord or on his behalf, consideration shall be had only to the key-date of the person on whose account the undertaking is worked.

§ 15.

(1) The following provisions apply to the assessment of the permanent productive capacity (§ 152 paragraph 3 sentence 1 of the Reichsabgabenordnung) of an agricultural undertaking;

1. land sites belonging to an agricultural undertaking, which are not put to agricultural use, or serve other than agricultural purposes, but are to be included in the agricultural undertaking (§ 12 paragraph 1), may be assessed separately in accordance with detailed provisions to be issued by the Finance Minister of the Reich (§ 86). Sentence 1 applies mutatis mutandis to sites belonging to an undertaking which are put to agricultural use and which may be assumed to constitute an independently worked undertaking or which vary considerably in productive capacity from the other sites;

2. in estimating the permanent productive capacity of an undertaking, all circumstances which affect the successful working thereof or the realisation of its products, in particular the goodness of the soil and lie of the ground, climatic conditions, the position of the farm buildings, the topographical situation of the property (whether self-contained or scattered), transport and market facilities, are to be taken into consideration;

3. in calculating the net yield, if in view of the small size of the undertaking the proprietor, his wife or his children, collaborate in working it, the value of their labour is to

be reckoned as expenditure and deducted from the gross yield. Sentence 1 applies, even if the status of the wife or children in regard to the proprietor is not that of employees;

4. the buildings, accessories, subsidiary undertakings and special cultures belonging to the undertaking will not be assessed separately; their value is regarded as included in the capitalised yield.

(2) The value to be ascribed to an undertaking must not be less than the capitalised yield of built-on plots of land calculated in accordance with §§ 34, 35 and 37.

§ 16.

(1) In order to ensure uniformity in the assessment of agricultural undertakings within the territory of the Reich, the following provisions will apply;

1. In the district of each Landesfinanzamt (Provincial Revenue Office) there shall be selected the zones in which the undertakings with the highest productive capacity are situated; on the basis of these undertakings, being of approximately comparable size (standard undertakings), the relative proportions of the several capitalised yields per unit of area of the said standard undertakings in each Landesfinanzamt district shall be calculated; in place of the district of a Landesfinanzamt, specific economic zones consisting of more

than one Landesfinanzamt district, parts of more than one Landesfinanzamt district, or parts of a single Landesfinanzamt district, may be taken as a basis for the foregoing selections and calculations. Sites let on lease may also be taken into consideration in connection with standard undertakings. In computing the relative proportions of the capitalised yields per unit of area, account will be had to all circumstances which may be regarded as normal for the working of the undertakings in the region under consideration, in respect namely of the position of the farm buildings, the topographical situation of the property (whether self-contained or scattered), the number of buildings on it and the stock of accessories, and further the number of subsidiary undertakings and special cultures. The relative proportions of the capitalised yields per unit of area of the standard undertakings is to be expressed in percentages, the standard undertaking with the highest productive capacity to be taken as equivalent to one hundred.

2. On the basis of specific undertakings (standard undertakings) the proportions will be calculated between the capitalised yield per unit of area of the agricultural undertakings with the highest productive capacity and that of the undertakings with a mean or inferior capacity situated in the same Landesfinanzamt district or economic zone (figure 1 above).

Figure 1 sentences 2 to 4 applies mutatis mutandis.

3. A Decree having legal force will be issued by the Finance Minister of the Reich with the assent of the Reichsrat, classifying capitalised yield values by categories, and specifying the maximum and minimum values per unit of area of the undertakings coming under the different categories of capitalised yield values (skeleton rates). The classification may be made for a single period during which a principal assessment holds good, or for several of such periods in combination. The highest skeleton rate of the highest category of capitalised yield values will constitute the percentage in the case of those standard undertakings which are found to possess according to the calculations specified in figure 1 the maximum productive capacity within the territory of the Reich.

(2) In computing the foregoing proportions (paragraph 1 figures 1 and 2) there shall be utilised inter alia the criteria already existing in the different Federal States for calculating productive capacity (net contribution to the Land Tax (Grundsteuer), average yield, net yield, cadastral yield (yield inscribed in the Land Register), taxable capital, Landschaft valuations (valuations made for purposes of loans by certain agricultural Banks in Prussia) and the like), in so far as such criteria are utilisable within the territory of the State in question.

(3) In classifying the capitalised yield values according to categories and in assessing them within the limits of the skeleton rates, consideration will be had only to the goodness of the soil, the lie of the ground, climatic conditions, the general situation as regards transport and markets and conditions in the labour market. With regard to any other circumstances liable to affect productive capacity, account shall rather be had (irrespective of the external conditions) to those circumstances which may be regarded as normal for the working of agricultural undertakings in the region under consideration; the foregoing provision applies more particularly in respect of the position of the farm buildings, the topographical situation of the property (whether self-contained or scattered), the size of the undertaking, the number of buildings on it, the stock of accessories and the number of subsidiary undertakings and special cultures.

(4) If in respect of the circumstances specified in paragraph 3 sentence 2 there exist conditions which differ substantially from the normal conditions (paragraph 3) the capitalised yield value may, in consequence thereof, be estimated at a lower or higher amount by proportionate deductions from, or additions to, the standard amount. Sentence 1 applies <u>mutatis mutandis</u> to the case of a sub-normal stock of accessories. The Finance Minister of the Reich (§ 86) may issue detailed provisions for the execution of sentences 1 and 2.

(5) The standard undertakings (paragraph 1 figures 1 and 2) are to be classified in the categories of capitalised yield values according to the proportions computed in conformity with paragraph 1 figures 1 and 2. The classification of the other undertakings will be effected in accordance with the proportions laid down by the Advisory Assessment Board (Bewertungsbeirat : see § 17) and conformably to the classification of the standard undertakings and of the undertakings classified in the manner specified in § 19 paragraph 1 figure 3; paragraph 2 applies mutatis mutandis.

§ 17.

(1) In order to ensure the effective application of the provisions of § 16 paragraph 1, the Finance Minister of the Reich will be assisted by an Advisory Assessment Board (Bewertungsbeirat).

(2) The following will be members of the Advisory Assessment Board :

1. Chairman : the Finance Minister of the Reich, or an official of the Reich appointed by him either for all general business or for each separate case;

2. one representative (who must be an official) of each of two Federal States selected by the Reichsrat. One of the above-mentioned States must be a State in which real property is largely represented

by large self-contained estates, and the other a State in which real property is largely represented by holdings which are split up;

3. four practising agriculturalists with general expert knowledge of matters pertaining to agriculture, two of whom are to be appointed by the Finance Minister of the Reich in consultation with the competent Ministers of the Reich, and two by the Reichsrat. Former owners, usufructuaries and lessees of agricultural undertakings, who have transferred their undertakings to their heirs, are regarded as being on the same footing as practising agriculturalists;

4. two members who without being practising agriculturalists have general expert knowledge of matters pertaining to agriculture, one to be appointed by the Finance Minister of the Reich in consultation with the other competent Ministers of the Reich, and one by the Reichsrat.

(3) As a precaution against the members of the Advisory Assessment Board mentioned in paragraph 2 figure 2 being prevented from attending, each of the Federal States concerned shall appoint a substitute member.

(4) Two permanent substitutes for the members of the Advisory Assessment Board mentioned in paragraph 2 figures 3 and 4 will be appointed, one by the Finance Minister of the Reich in consultation with the competent Ministers of the Reich and one by the

Reichsrat, such substitutes to be practising agriculturists with general expert knowledge of matters pertaining to agriculture. These substitutes will attend in the event of the members mentioned in sentence 1 being prevented from doing so; the member appointed by the Finance Minister of the Reich shall be normally represented by the substitute appointed by the Finance Minister, and similarly the member appointed by the Reichsrat by the substitute appointed by the Reichsrat. Both permanent substitutes will be present from the beginning at all official transactions of the Advisory Assessment Board, but shall only be entitled to proffer an opinion or vote when attending in the place of a member prevented from attending. Sentences 1 to 3 apply mutatis mutandis in the event of the retirement of one of the members mentioned in paragraph 1 figures 3 and 4 pending the appointment of a new member.

(5) The members (non-permanent members) of the Advisory Assessment Board mentioned in paragraph 2 figures 2 to 4, and the substitute members mentioned in paragraph 3 and 4, will be convened for the current period of principal assessment (§ 6 paragraph 2). They may be reconvened for subsequent periods of principal assessment. In the event of the retirement of a member or substitute, the authority who appointed the retiring member or substitute will convene another member for the remainder of the period for which the retiring member was convened. The members mentioned in paragraph 2 figures 3 and 4 and the substitutes mentioned in paragraph 4 must not hold a position as a Government official, which renders them directly

subordinate to their superior officials and entitles the latter to give them specific instructions, or a position as an employee of an authority of the Reich or one of the Federal States.

(6) Upon entering upon their period of activity the non-permanent members of the Advisory Assessment Board will give a solemn undertaking to the Chairman by hand-clasp in lieu of oath to act in the proceedings of the Advisory Assessment Board without respect of persons according to the best of their knowledge and conscience, not to divulge in any circumstances or to anyone whomsoever the proceedings of the Board or the information revealed to them in the course of its proceedings concerning the position of taxpayers, and not to make use without due authority of any business or other similar secrets; the foregoing obligation as to secrecy does not extend to the resolutions adopted and published by the Advisory Assessment Board (§ 19 paragraph 2). §§ 10 and 376 of the Reichsabgabenordnung apply mutatis mutandis. Members or substitutes reconvened will merely be reminded of the undertaking previously given by them.

§ 18

(1) The Finance Minister of the Reich directs the business of the Advisory Assessment Board. A quorum of the Advisory Assessment Board consists of not less than four members in addition to the Chairman. If one of the members mentioned in § 17 paragraph 2 figures 3 and 4 or one of the substitutes mentioned in § 17 paragraph 4 fail to attend, § 56 of the Law concerning the constitution

of Courts of Law (Gerichtsverfassungsgesetz) applies mutatis mutandis; the decision rests with the Chairman. The final decision regarding appeals against the decision of the Chairman rests with the Advisory Assessment Board.

(2) The Chairman conducts the proceedings of the Advisory Assessment Board. Decisions are taken by a majority of votes. The Chairman has the right of voting and in case of equality of voting has a casting vote. If more than two opinions are expressed in the discussion of the assessment of undertakings, the votes given for the highest assessment will be added to the votes given for the next highest assessment, until a majority is obtained. The practising agriculturalists appointed members of the Board (§ 17 paragraph 2 figure 3) will be regarded as being prevented from attending (§ 17 paragraph 4 figure 2) in the case of a vote being taken, which relates to the assessment or commensuration of the values of undertakings situated in the State (or in the case of Prussia, the Province) in which the member concerned practises agriculture or owns an agricultural undertaking.

(3) The seat of the Advisory Assessment Board is in Berlin. The Board is entitled to undertake official proceedings in all parts of the territory of the Reich.

(4) The official proceedings of the Advisory Assessment Board are not public. Delegates of the Government of the Reich are entitled to take part in the official proceedings. Delegates of Federal

States are entitled to take part in the official proceedings and must, if they so request, be given a hearing, in cases relating to the assessment or commensuration of values of undertakings of the State which they represent; the Chairman must take steps for the notification of the Governments of the States interested before each meeting. The Board may at its own discretion consult experts and members of professional agricultural organisations; in the case of experts, §§ 10 and 376 of the Reichsabgabenordnung apply mutatis mutandis.

(5) The Finance Minister of the Reich (§ 86) frames the agenda of the Advisory Assessment Board and decides the amount of compensation to be paid to non-official members and their substitutes; compensation will be paid to official members in conformity with the provisions applicable to the compensation payable to officials of the Reich belonging to corresponding grades in respect of travelling expenses incurred on official duty.

§ 19.

(1) The duties of the Advisory Assessment Board are :

1. to select the economic zones and carry out the calculations specified in § 16 paragraph 1 figures 1 and 2. The economic zones and standard undertakings will be specified by the Board;

2. to give an advisory opinion on the provisions proposed for the Legal Decree concerning categories of capitalised yield values and skeleton rates (§ 16 paragraph 1 figure 3) prior to its submission to the Reichsrat;

3. to classify in the categories of capitalised yield values and skeleton rates specific undertakings in specific regions conformably with the proportions computed by the Board (§ 16 paragraph 1 figures 1 and 2) and the provisions contained in § 16 paragraph 1 figure 3 sentence 2; the Board may only undertake such classification by direction of the Finance Minister of the Reich. Prior to such classification the Board shall hear the ground landlord concerned, or, if the buildings or accessories belong as to an appreciable part thereof to a person other than the ground landlord, the owner of the buildings or accessories. In cases where the Board is considering the classification of several undertakings situated in the same region, it will suffice if it hears a person appointed by the landlords or owners as their representative or the Gemeindevorsteher (Headman of the Commune);

4. in respect of specific Landesfinanzamt (Provincial Revenue Office) districts, or economic zones, or parts of Landesfinanzamt districts or economic zones, to specify the categories of capitalised yield values or skeleton rates principally concerned in the zone under consideration. Such specification to be undertaken only by direction of the Finance Minister of the Reich;

5. in respect of specific zones of the kind mentioned in figure 4, to decide what percentage of the unit-value is to be allocated as a general rule to the buildings and accessories in the case of agricultural undertakings with a normal number of buildings and a normal stock of accessories on their land; such specification is to be undertaken only by direction of the Finance Minister of the Reich.

(2) The resolutions of the Board taken in conformity with paragraph 1 figures 1 and 3 to 5 will be published in accordance with the detailed orders of the Finance Minister of the Reich (§ 86). The resolutions of the Board receive by virtue of publication legally binding force for the period of principal assessment; if the unit-value of an undertaking, which is classified by the Board in conformity with paragraph 1 figure 3, was assessed prior to such classification, the assessment is regarded as null and void. Resolutions which have been published cannot be withdrawn or amended; nevertheless, clerical errors, arithmetical miscalculations and similar obvious errors may be corrected after publication.

(3) In all other matters, the Advisory Assessment Board advises and assists the Finance Minister of the Reich as regards measures for ensuring the uniformity of the assessment throughout the territory of the Reich.

§ 20

If any members of the Advisory Assessment Board refuse to carry out the duties entrusted to the Board under § 19 paragraph 1, the power of decision rests solely with the other members in which case § 18 paragraph 1 sentence 2 does not apply.

§ 21

§§ 16 to 20 do not apply to the assessment of the rights specified in § 11 paragraph 3.

II. Forest Property.

§ 22

(1) A forest property consists of all parts of an economic unit which permanently serves a purpose relating mainly to forestry (forestry undertaking).

(2) §§ 11 to 21 apply mutatis mutandis to forestry undertakings, save in so far as otherwise provided in paragraphs 3 to 5 below.

(3) In the case of transplantation undertakings the permanent annual net yield is replaced by the money value of the average annual increase in the stock of timber.

(4) In the official proceedings of the Advisory Assessment Board relative to forestry undertakings,

the agriculturalists mentioned in § 17 paragraph 2 figure 3 will be replaced by persons who practise forestry actively and have general expert knowledge of matters pertaining to forestry. § 17 paragraph 2 figure 3 sentence 2 applies mutatis mutandis;

the members mentioned in § 17 paragraph 2 figure 4 will be replaced by members who, without practising forestry actively, have general expert knowledge of matters pertaining to forestry.

The two practising agriculturalists appointed as permanent substitutes under § 17 paragraph 4 act likewise as permanent substitutes for the members mentioned in sentence 1.

(5) The Advisory Assessment Board may lay down general principles for specific economic zones as to the conditions upon which areas of land under afforestation are to be regarded as independent forestry undertakings; § 19 paragraph 2 applies mutatis mutandis.

III. Horticultural Property.

§ 23

A horticultural property consists of all parts of an economic unit, which serves a purpose that is mainly horticultural (horticultural undertaking).

§ 24

(1) §§ 11 to 21 apply mutatis mutandis to horticultural undertakings which are permanently intended for viticulture, save in so far as otherwise provided in paragraphs 2 to 4.

(2) The normal stock of movable material (§ 11 paragraph 2) includes supplies of wine derived from the last vintage.

(3) The computation of the proportions specified in § 16 paragraph 1 figures 1 and 2 will be based on standard vineyards in lieu of standard undertakings.

(4) In the official proceedings of the Advisory Assessment Board relative to viticultural undertakings,

the two agriculturalists to be appointed by the Finance Minister of the Reich, and one of the two agriculturalists to be appointed by the Reichsrat (§ 17 paragraph 2 figure 3), will be replaced by wine-growers with general expert knowledge of matters pertaining to viticulture;

the member with general expert knowledge of matters pertaining to agriculture to be appointed by the Reichsrat (§ 17 paragraph 2 figure 4) will be replaced by a member with general expert knowledge of matters pertaining to viticulture.

The two practising agriculturalists appointed as permanent substitutes under § 17 paragraph 4 act likewise as permanent substitutes for the

members mentioned in sentence 1 above.

§ 25.

Horticultural undertakings, which are not permanently utilised for viticulture, will be assessed in accordance with § 152 paragraphs 2 to 4 of the Reichsabgabenordnung. §§ 11, 12, 14 and § 15 paragraph 2 apply mutatis mutandis. The Finance Minister of the Reich(§ 86) may, subject to the approval of the Advisory Assessment Board to be set up under § 17, and after hearing the opinion of horticultural experts, draw up general principles for such assessment.

B. BUSINESS CAPITAL.

§ 26.

(1) Business capital consists of all parts of an economic unit, which serves a purpose mainly relating to the exercise of a commercial occupation or of a liberal profession not dedicated to the Fine Arts or to pure Science, provided that the assets in question belong to the owner of such commercial undertaking or to the person practising such liberal profession (commercial or professional undertaking). Mining and the extraction in general of materials from the earth (e.g. stone and limestone quarrying) are regarded as commercial occupations within the meaning of the present Law. If the total

value of all assets which belong to the member of one of the liberal professions specified in sentence 1, or to a person exercising a commercial occupation analogous to a liberal profession (e.g. unqualified dental practitioners - Zahntechniker) and are used for the exercise of such liberal profession or other occupation, does not exceed the sum of six thousand Reichsmarks, the value of such assets will not be regarded as business capital. After hearing the opinion of experts to be proposed by the Provisional Economic Council of the Reich (Vorläufige Reichswirtschaftsrat), the Finance Minister of the Reich)(§ 86) decides the conditions upon which a liberal profession is to be regarded as being dedicated to the Fine Arts or to pure Science, and the categories of commercial occupations which are to be regarded as being analogous to the liberal professions specified in sentence 1.

(2) A commercial undertaking consists of all assets belonging to:

1. joint stock companies, joint stock commandite companies, colonial companies, mining associations endowed with legal personality and mining partnerships not endowed with legal personality, limited liability companies, co-operatives, mutual insurance associations, mortgage banks, and marine mortgage banks;

2. societies, institutions, endowments or other estate assigned to promote some particular object or utility, and any

corporations under Civil Law not coming under figure 1, whether such societies, institutions, endowments, estate, or corporations are endowed with legal personality or not, if they maintain a business undertaking of an economic character, and if their main purpose is the realisation of economic advantages for themselves or on behalf of the persons mentioned in their statutes, articles of endowment or other document or constitution;

3. private partnerships (offene Handelsgesellschaften) and commandite companies. The commercial undertaking of a company of this character includes also the assets which are in the possession of one or more or of all the partners in the company, and are utilised for the operations of the company.

(3) An independent commercial undertaking also includes any assets which are utilised by a person other than the owner of such undertaking for the exercise of a commercial or professional occupation, in cases where such assets include assets which are permanently employed for the purpose of that occupation (assets forming part of the invested capital), and as such would in the main be both suitable in kind and sufficient in quantity for the exercise of an independent commercial or professional occupation. The provision contained in sentence 1 above does not apply to unbuilt-on or built-on land sites, or to portions thereof, which are utilised by a person other than the owner for the exercise of his occupation, if the owner has ceded

such sites to such other person solely for the exercise of his occupation. The provision contained in sentence 1 applies however to unbuilt-on sites ceded for the extraction of materials from the earth (e.g. stone or limestone quarrying) and also to built-on sites, if the method of construction employed and the equipment of the buildings are such that they are intended to be utilised for commercial or professional purposes (e.g. factory buildings, warehouses or depositories, business offices).

(4) Business capital does not include assets which are not included as "Other property" under § 38 paragraph 1 figure 1 sentences 2 and 3, or § 39 figures 6, 9 and 10.

§ 27.

If a company established in Germany of the kind specified in § 26 paragraph 2 figure 1 holds, in its capacity as parent company, not less than one quarter of the real and personal property of an affiliated company established in Germany and subject to the same provision, the value of such holding is not taken into account in so far as the parent company is concerned; the Finance Minister of the Reich (§ 86) may issue detailed provisions regarding the calculation of the value of such holding.

§ 28.

(1) For the purpose of calculating the unit value of the commercial or professional undertaking, the debts will be deducted from the gross property, in so far as they are in economic relation

with the commercial or professional undertaking regarded as a whole or with parts thereof; the debts specified in § 47 paragraph 1 figure 1 a and b are not subject to deduction.

(2) In the case of insurance undertakings there will be deducted from the gross property the reserve funds specified in the business programme as requisite for insurance obligations, or for surpluses to be paid as bonuses to the holders of insurance policies or insured persons. Further, in the case of registered co-operative societies , and of such limited liability companies as exist chiefly to act as the central organisations of co-operative societies, there will be deducted from the gross property the business assets of the members, or original capital of the caompnies; similarly in the case of the controlling societies of agricultural co-operatives and other similar societies of a central character, the real and personal property will be deducted.

§ 29.

In the case of undertakings, in which regular annual settlements are effected on a key-date other than the date of principal assessment, the close of the last economic year immediately preceding the date of principal assessment will, upon application by the owner of the undertaking or of the person empowered to act as representative of the undertaking, be taken as the key-date in lieu of the date of principal assessment (§ 5 paragraph 2). The unit-value calculated on the key-date selected in accordance with

the foregoing provision shall be regarded as constituting the unit-value on the date of principal assessment. An application lodged by an undertaking under sentence 1 will remain binding on such undertaking for all subsequent periods of principal assessment, to the extent that the close of the last normal economic year is always to be taken as the key-date. Where, in connection with a transposition of the economic year, an application is lodged for the employment of the new date of settlement as a basis, the Chairman of the Business Valuations Committee (Gewerbeausschuss: see § 65) may require that the date employed heretofore be employed for the first assessment of the unit-value following such transposition of the economic year.

§ 30.

(1) If assets belonging to a commercial or professional undertaking, which is owned by a natural taxpayer and under the terms of § 29 is assessed on a key-date not coincident with the date of principal assessment, are withdrawn, in the period between the key-date and the date of the principal assessment, from the commercial or professional undertaking and transferred to other real and personal property owned by the proprietor, such assets are regarded as still belonging to the commercial or professional undertaking on the date of assessment: similarly, if between the key-date employed as a bsis and the date of principal assessment, a ssets

are withdrawn from such other real and personal property and transferred to the commercial or professional undertaking, these assets are to be regarded as still belonging to the other property and not to the commercial or professional undertaking, on the date of assessment.

(2) Assets, which within the last three months preceding the key-date selected for the assessment of the unit-value (§§ 5 and 29) are withdrawn from the German part of a commercial or professional undertaking without an equivalent value being substituted therefor, are to be reckoned as belonging to the undertaking, if such assets would thereby evade taxation in Germany in respect of Real and Personal Property, and if the value of the part of the undertaking still held in Germany on the date of assessment and liable to taxation in Germany in respect of real and personal property is clearly out of proportion to the value of the assets so withdrawn. Sentence 1 does not apply to profits distributed, or in cases where the proprietor proves that the assets are withdrawn with a view to reduction of the undertaking to that extent, or where the assets withdrawn, or an equivalent value in lieu thereof, are invested in another undertaking situate in Germany.

§ 31.

(1) The provisions of the Reichsabgabenordnung, in particular § 137 paragraph 1 and § 138 relative to the employment of common (market) values as a basis of assessment, apply to the assessment

of assets belonging to business capital; § 139 paragraph 2, however, of the Reichsabgabenordnung does not apply.

(2) For the purpose of taking into consideration the point of view of the collective assessment in accordance with § 137 paragraph 2 and § 139 paragraph 1 of the Reichabgabenordnung when calculating the common (market) value of the various individual assets, the latter will be assessed at the value which they have for the undertaking on the assumption that the undertaking will be maintained.

(3) Assets which, but that they belong to a commercial or professional undertaking, would constitute an agricultural, forest or horticultural undertaking (§§ 11, 22 and 23) are to be assessed according to the provisions of §§ 11 to 25, and in calculating the unit-value of the commercial or professional undertaking are to be assessed at unit-values specified for such assets. Land sites which, but that they belong to a commercial or professional undertaking, would belong to a landed property (§ 34), are to be assessed according to the provisions of §§ 34 to 37, and in calculating the unit value of the undertaking are to be assessed at the unit values specified for such assets; the foregoing provision does not apply to rights held by a commercial or professional undertaking, which confer special privilege (e.g. ownership of a particular mine) as opposed to general usufructuary rights in the

land (e.g., ground rights). Sentence 2 does not apply to accessories to the land site, in particular machines, or other apparatus of all kinds, which are connected with the plant of an undertaking on the land site, and are to be regarded as accessory to the land site.

(4) Securities, shares and Genussscheine (Warrants entitling the holder to compensation for present loss out of future profits) in respect of companies of the kind specified in § 26 paragraph 2 figure 1 will be assessed, irrespective of the date of settlement employed as a basis (§ 29), in accordance with the provisions of §§ 40 to 43, and will be assessed at the values specified in §§ 40 to 43 for the purposes of the calculation of the unit-value of the commercial or professional undertaking.

(5) The collective value of the undertaking must not be less than the total value of the individual assets as assessed under paragraphs 1 to 4, less the debts and reserve funds (§ 28) of the undertaking.

§ 32.

The Finance Minister of the Reich (§ 86) may, in consultation with the Minister for Economic Affairs and after hearing the opinion of experts, draw up general princip-les for the assessment of specific groups of assets forming part of business capital. The above mentioned experts will be selected in consultation with the economic circles concerned.

§ 33.

Should taxable market values (Steuerkurswerte; see §§ 40 to 42) be laid down for the shares issued in respect of a company of the kind specified in § 26 paragraph 2 figure 1 situate in Germany, or for the Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) issued by such company, the unit-value of the commercial or professional undertaking in question is to be calculated at the amount of the taxable market values laid down for the shares or Genussscheine of the company. Sentence 1 does not apply in cases where the total of the taxable market values exceeds by at least one-tenth of such total the value of the property calculated according to the general assessment provisions, in particular § 31, or is less than the value of such property by at least one-tenth of the total of the taxable market values. Application for assessment in accordance with the general assessment provisions, in lieu of assessment according to the total of the taxable market values, must be lodged before the expiration of the period within which appeals may be lodged against the final decision respecting the assessment of the unit-value of the undertaking. If the investigations regarding the value of the undertaking on the basis of the general assessment provisions result in the conclusion that the conditions specified in sentence 2 are not fulfilled, the total of the taxable market values shall be retained as the basis of assessment.

C. LANDED PROPERTY.

§ 34.

(1) Landed property comprises the land and soil inclusive of the appurtenances (in particular, buildings) and accessories, in so far as it does not belong to an agricultural, forest or horticultural undertaking, or to a commercial or professional undertaking. A land site (Grundstück) within the meaning of the present Law is the economic unit of landed property.

(2) Rights relative to land sites, which are subject to the provisions of Civil Law, are regarded as being on the same footing as land sites, if they do not relate to agricultural, forest or horticultural property, or to business capital. The unit value of the economic unit belonging to the ground landlord is the value of the economic unit less the unit value of the right encumbering such unit.

(3) Further, buildings which are erected on leased land, and do not belong to the ground landlord, are regarded as being on the same footing as land sites.

§ 35.

(1) Built-on land sites, the buildings on which conform to local usage, or which serve commercial purposes, are to be assessed at

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the value of the capitalised yield derived from them (Ertragswert). The capitalised yield value will be calculated on the basis of the average permanent net yield obtainable annually from the renting or leasing of the land sites. The Finance Minister of the Reich (§ 86) may issue orders specifying what part of the average permanent gross yield obtainable may be deducted therefrom without authentication in respect of charges on real property (subsidiary charges, maintenace costs and other similar real property charges) for the purpose of calculating the net yield; nevertheless, if the owner is able to prove a higher amount in respect of the average permanent annually increasing real property charges, such higher amount may be deducted from the gross yield. Order may be issued in accordance with this paragraph either for a single period of principal assessment or for several such periods together.

(2) Built-on land sites, the buildings on which do not conform to local usage, and which do not serve commercial purposes, and sites on which buildings are in course of construction are to be assessed at the common (market)value. In cases where completed buildings, which are built in conformity with local usage or serve commercial purposes, exist on a site on which other buildings are in course of construction, the land site inclusive of the buildings, the construction of which has been completed, will be assessed in accordance with paragraph 1; the value so assessed is increased

by a supplementary amount in respect of the buildings in course of construction equivalent to the amount expended for the structures in question up to the date of assessment.

§ 36.

(1) Land sites which on account of their position and of the other conditions governing them, more particularly with regard to existing possibilities as to their utilisation, may be regarded as building land or as land suitable for transport purposes, or of which it may be presumed that they will within a measurable space of time be used for other than agricultural, forestry or horticultural purposes, will also be assessed at the common (market) value (§ 152 paragraph 1 of the Reichsabgabenordnung), even if they are used at the time of assessment for agricultural, forestry or horticultural purposes.

(2) The value to be placed upon built-on land sites (§ 35) must not be less than the value at which the land exclusive of the buildings would be assessed under paragraph 1.

§ 37.

The Finance Minister of the Reich (§ 86) may draw up general principles relative to the assessment of specific groups of land sites, with a view to the execution of §§ 34 to 36.

D. OTHER PROPERTY.

§ 38.

(1) "Other property" comprises inter alia the following, provided that the various individual assets do not form part of an agricultural, forest or horticultural property, or of a business capital, or of a landed property:

1. independent rights and prerogatives. Artistic, literary and musical works are not regarded as property within the meaning of the present Law, provided that they are in the possession of the artist, author or composer himself or, if he is deceased, in the possession of his legally married wife or of his children. The foregoing provision applies to the artist's, author's or composer's rights in such works and to non-patented inventions, unless such rights or inventions have been ceded to a third party for his utilisation in exchange for an undertaking to pay a fixed amount either in a single lump sum or in recurrent sums spread over specified or unspecified periods;

2. claims of all kinds in respect of capital, whether bearing interest or no ;

3. shares or share certificates, mining shares (Kuxe), shares in businesses and other investments in companies, together with moneys invested as capital in co-operative societies;

4. coins and other legal tender belonging to the German currency system, foreign currencies, bank notes and small currency notes, precious metals, precious stones and pearls;

5. the capital value of rights to annuities and other recurrent usufructs and services, which are the property of the holder of such rights either for his own life-time, or for the life-time of another, or for an indefinite period, for a period of not less than ten years, either

   a) by virtue of a contract, in return for the surrender of capital assets in perpetuity, or

   b) as a result of testamentary dispositions, donations or family settlements, or

   c) by reason of any other provisions made under a Family Law (Hausgesetz),

provided that the total value of the yearly usufructs or services exceeds one thousand Reichsmarks;

6. claims not yet payable resulting from life insurance and lump sum insurance policies, or from annuity insurance policies, the holder of which is not yet in receipt of the annuity. The foregoing provision does not apply to:

   a) insurance policies, the total value of which (§ 143 paragraph 4 of the Reichsabgabenordnung) does not exceed five thousand Reichsmarks;

   b) annuity insurance policies contracted in view of work or services rendered;

7. the excess stock of movable accessories belonging to an agricultural, forestry or horticultural undertaking (§ 11 paragraph 2, § 22 paragraph 2, § 24 paragraph 1, § 25);

8. objects or assets which are intended to be used for an agricultural, forestry or horticultural undertaking, or for the exercise of a commercial occupation or of a liberal profession, but are not in fact used for such purpose at the time of assessment, unless the total value of such objects or assets does not exceed one thousand Reichsmarks;

9. objects made of precious metal, articles of personal adornment and any luxury articles which do not belong to the fittings of the home of the taxpayer, provided that the

common (market) value of each individual article does not exceed one thousand Reichsmarks, or the total value of all articles in this category ten thousand Reichsmarks;

10. works of art and collections, provided

a) that they were acquired after July 31, 1914;

b) that the common (market) value of each individual article exceeds ten thousand Reichsmarks, or the common (market) value of several articles of the same kind or belonging to a set exceeds fifty thousand Reichsmarks, and

c) that they are the work of non-German artists, or of German artists deceased more than fifteen years ago.

(2) Amounts owned by natural persons and consisting of currencies, bank credits and other current credits are only regarded as "other property", if the total value thereof exceeds one thousand Reichsmarks.

§ 39.

"Other property" does not include:

1. claims to widows', orphans' or pension funds;
2. claims arising out of an insurance under the laws of the Reich, or claims arising out of a sickness or accident insurance not under laws of the Reich;

3. claims to annuities and other similar emoluments granted to the recipient on account of work or services rendered in the past;

4. claims to annuities, pensions or other similar emoluments paid under the Laws governing Relief Grants to Military Persons (Militärversorgungsgesetz), the Law of the Reich on Social Welfare (Reichsversorgungsgesetz), the Law concerning Compensation for Personal Injuries received during the Occupation (Besatzungspersonenschädengesetz), the Law concerning the Compensation of Re-enlisted Soldiers (Kapitulantenentschädigungsgesetz), the Law concerning the Compensation of Officers (Offiziersentschädigungsgesetz) and the Laws concerning the Pensions of Government Officials (Beamtenpensionsgesetze);

5. household furniture and other movable physical articles, provided that they are not specifically enumerated in § 38. This provision applies in particular to articles which under § 26 paragraph 1 are not included in Business Capital;

6. capital sums placed in reserve exclusively for charitable or public utility purposes provided that the utilisation of the principal and interest thereof for such purposes is ensured;

7. the claim to a capital lump sum in lieu of an annuity, to which the taxpayer is entitled as compensation for the partial or total loss of ability to earn his own living as a result of bodily injury or sickness. The same applies to the claim to a capital lump sum, to which the family of a person disabled within the meaning of the preceding sentence is entitled on account of such disability;

8. the claim to capital lump sums in lieu of annuities, to non-recurrent lump sums and to non-recurrent capital lump sums under the Laws governing Relief Grants to Military Persons, the Laws of the Reich on Social Welfare, the Law concerning Compensation for Personal Injuries received during the Occupation, the Law concerning the compensation of Officers and the Law concerning the Pensions of Government Officials;

9. the debts enumerated in § 7 paragraph 1 of the Law of the Reich concerning Clearing Office procedure under the Treaty of Versailles (Reichsausgleichsgesetz) as amended on November 20, 1923 (Reichsgesetzblatt I page 1135), and the claims specified in the Law concerning Compensation for Liquidations effected under the Treaty of Versailles (Liquidationsschädengesetz) of November 20, 1923

(Reichsgesetzblatt I page 1148), and in the Decree concerning Compensation for Losses on account of the cession of German Territory by the Reich and of War Losses in ex-German Protected Territories and abroad (Gewaltschädenverordnung) of October 22, 1923 (Reichsgesetzblatt I page 1018); further, the amounts paid out on account of such debts and claims, provided that payment was effected in the calendar year ending before the date of principal assessment;

10. portions of properties which were sequestrated by the ex-Enemy Powers, and have not been released by the date of principal assessment.

§ 40.

(1) The provision contained in § 42 paragraph 3 of the Reichsabgabenordnung does not apply in respect of the assessment of securities, participatory rights or Genussscheine (warrants entitling the holder to compensation for present loss out of future profits), in the case of companies of the kind specified in § 26 paragraph 2 figure 1.

(2) Basic values (taxable market values - Steuerkurswerte) may be fixed for the assessment of the securities, participatory rights, and Genussscheine specified in paragraph 1. For the purpose of fixing the taxable market value or, in cases where no taxable market values are fixed, of calculating the selling

values, the date of principal assessment will be replaced by December 31 of the immediately preceding year; the Finance Minister of the Reich (§ 86) may fix a different key-date. For the purpose of fixing the taxable market values the provisions of §§ 41 and 42 are substituted for § 142 paragraphs 1 and 2 of the Reichsabgabenordnung.

§ 41.

(1) Taxable market values will only be fixed for shares, mining shares (Kuxe) and other similar participatory rights, or for Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) in the case of German companies of the kind specified in § 26 paragraph 2 figure 1, if they have been the subject of effective transactions on the prescribed key-date (§ 40 paragraph 2), or within a period to be prescribed by the Finance Minister of the Reich (§ 86); the latter period may be prescribed to fall either before or after the key-date.

(2) The Finance Minister of the Reich (§ 86) may, in agreement with the Minister of the Reich for Economic Affairs, draw up general principles for the assessment of categories of shares, other participatory rights or Genussscheine issued by an undertaking, which have not been the subject of effective transactions on the prescribed key-date, or within the period

prescribed in accordance with paragraph 1, provided that some other category of shares, participatory rights or Genussscheine issued by the same undertaking has been the subject of effective transactions on the key-date or within the specified period; the values for the shares, other participatory rights, or Genussscheine, resulting therefrom rank as taxable market values within the meaning of § 33.

§ 42.

(1) The market value of securities admitted to dealings on the Bourse will be calculated by the Bourse Managing Committees, and those of other securities, participatory rights in mining and other companies and Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) will be calculated by committees of experts to be appointed by the Finance Minister of the Reich. The Finance Minister of the Reich fixes the taxable market values on the basis of the foregoing calculations, and publishes them in the Deutscher Reichsanzeiger.

(2) Appeal may be lodged against the fixing of taxable market values by

a) the undertaking which issued the participatory rights or Genussscheine involved;

b) the person or undertaking, which issued the bonds, in respect of the same;

c) the owner of the participatory rights, Genussscheine, or bonds.

Appeals must be lodged with the Finance Minister of the Reich within one month from the date on which the taxable market value was published in the Deutsche Reichsanzeiger. Appeals against the establishment of the taxable market value for the shares, mining shares (Kuxe), other participatory rights or Genussscheine, specified in § 41 paragraph 1, are only admissible on the ground that they were not the subject of effective transactions on the key-date or within the prescribed period (§ 41 paragraph 1), or that the taxable market value fixed has been calculated incorrectly. The final decision respecting such appeals rests with the Finance Minister of the Reich, subject to the assent of the Reichsrat; the decision will be published in the Reichsanzeiger.

(3) Clerical errors, arithmetical miscalculations and other similar mistakes may be corrected even in the case of taxable market values, the establishment of which is no longer liable to contestation.

§ 43.

Shares, mining shares (Kuxe), other participatory rights and Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) of the kind specified in § 26 paragraph 2 figure 1 will, in the case of the owner of such rights or Genussscheine, be assessed at only half the fixed

c) the owner of the participatory rights, Genussscheine, or bonds.

Appeals must be lodged with the Finance Minister of the Reich within one month from the date on which the taxable market value was published in the Deutsche Reichsanzeiger. Appeals against the establishment of the taxable market value for the shares, mining shares (Kuxe), other participatory rights or Genussscheine, specified in § 41 paragraph 1, are only admissible on the ground that they were not the subject of effective transactions on the key-date or within the prescribed period (§ 41 paragraph 1), or that the taxable market value fixed has been calculated incorrectly. The final decision respecting such appeals rests with the Finance Minister of the Reich, subject to the assent of the Reichsrat; the decision will be published in the Reichsanzeiger.

(3) Clerical errors, arithmetical miscalculations and other similar mistakes may be corrected even in the case of taxable market values, the establishment of which is no longer liable to contestation.

§ 43.

Shares, mining shares (Kuxe), other participatory rights and Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) of the kind specified in § 26 paragraph 2 figure 1 will, in the case of the owner of such rights or Genussscheine, be assessed at only half the fixed

taxable market value or calculated selling value.

§ 44.

(1) The Finance Minister of the Reich (§ 86) may draw up general instructions regarding the assessment of specific groups of objects or assets forming part of "other property"; this provision applies in particular to the assessment of claims and debts denominated exclusively in Marks and liable to revalorisation.

(2) The Finance Minister of the Reich (§ 86) may also take special measures regarding the assessment of objects or assets, the preservation of which is a matter of public interest in view of their artistic, historical or scientific importance, and which are made accessible for the purposes of research or popular education in accordance with the specific instructions of the competent authority.

E. TOTAL PROPERTY OF THE TAXPAYER.

§ 45.

(1) For the purpose of calculating the value of the total property of the taxpayer (Gesamtvermögen: see § 3 figure 2 a and 2 b) the economic units of the forms of property specified in § 2 figures 1 to 3 will, when calculating the collective value of the various separate moieties, be assessed at the unit-values determined in accordance with the prescriptions of the present Law.

(2) In the case of taxpayers, whose property cannot consist of other than business capital (§ 26 paragraph 2 figures 1 to 3), the unit-value assessed for the commercial undertaking ranks also as the unit-value for the total property of the taxpayer, without necessitating a special assessment.

§ 46.

Participatory rights in German private partnerships (offene Handelsgesellschaften) and in German commandite companies do not form part of the property (§ 2) of the partners. Sentence 1 applies mutatis mutandis to the assets (§ 26 paragraph 2 figure 3) which are employed in connection with the business activities of a private partnership or commandite company.

§ 47.

(1) For the purpose of estimating the total property of the taxpayer there shall be deducted from the gross property;

1. Debts, provided that they are not to be taken into consideration in respect of business capital (§ 28).

   The following may not be deducted:

   a) charges encumbering land sites permanently serving agricultural, forestry or horticultural purposes in virtue of §§ 6 to 8 and § 10 of the Rentenbank Decree (Rentenbankverordnung) of October 15, 1923 (Reichsgesetzblatt I page 963) and § 4 of the Law

concerning the Withdrawal of the Rentenbank Notes from Circulation of August 30, 1924, (Reichsgesetzblatt II page 252);

b) charges upon industrialists in virtue of the Industrial Charges Law (Industriebelastungsgesetz) and of the Law in Execution of the same (Aufbringungsgesetz) of August 30, 1924 (Reichsgesetzblatt II pages 257 and 269-);

nevertheless, payments in arrears may be deducted;

2. the value of the payments of the kind specified in § 38 paragraph 1 figure 5 incumbent upon the taxpayer or based on an entail, fief, Stammgut, or Hausgut (entailed, enfeoffed or otherwise locked up family estate) or on property tied in any other manner, irrespective of the amount of the annual payment;

3. the following quarterly deductions may be made in the case of natural persons; cash bank credits and other similar current credits, provided that they comprise salaries, wages, interest payments or other similar emoluments received in the last quarter preceding the date of assessment; the same applies to claims to such emoluments which are due for payment. Deduction will not be effected under the present provision, if the cash bank credits or other similar current credits are not "other property" in the sense of § 38 paragraph 2. Such deduction is not permissible in the case of unrestrictedly liable taxpayers within the meaning of the Law concerning the

Tax on Real and Personal Property (Vermögensteuergesetz);

4. in the case of holders of agricultural, forestry or horticultural undertakings, the excess of business incomings over business outgoings in the period between the key-date taken for calculating the amount, and for assessing the value, of the movable accessories (§ 14, § 22 paragraph 2, § 24 paragraph 1 and § 25 sentence 2) and the key-date for the assessment of the total property of the taxpayer.

(2) Debts or charges upon property, which stand in an economic relation to objects or assets which are not property within the meaning of the present Law, may not be deducted.

(3) If the taxation assessment is restricted to a taxpayer's agricultural, forest or horticultural property, or to his business capital, or to his landed property situate in Germany, only those debts or charges which stand in an economic relation to the foregoing portions of his estate will be deducted.

§ 48.

(1) The property of married persons who are unrestrictedly liable to taxation under the provisions of the Law concerning the Tax on Real and Personal Property (Vermögensteuergesetz), and who do not live permanently separated, will be reckoned as a whole for the purpose of determining the unit-value of the total property.

(2) In the case of a married persons' joint property co-partnership which has been extended after the decease of the husband or

wife, the entire joint estate will be added to the property of the survivor; for the purpose of determining the unit-value for the total property of the surviving husband or wife, the value of the joint estate will be assessed separately (§ 73 paragraph 2). Heirs with a reversionary interest in such joint property co-partnership will be represented by the surviving husband or wife.

SECTION III.

P R O C E D U R E.

§ 49

(1) If an economic unit of the form of property specified in § 2 figures 1 to 3, or an asset of the kind specified in § 31 paragraph 3 exists simultaneously both in Germany and a foreign country (§ 3 figure 1 paragraph 2), the moiety of the unit-value assigned to the property situate in Germany will, in the case of taxpayers with unrestricted liability, be declared separately in the notification regarding the unit-value for the unit or asset in question. The assessment of such moiety is subject to the same provisions regarding appeals as the assessment of the unit-value itself.

(2) If the economic unit or asset exists solely outside Germany, the unit-value will not be assessed in respect of such unit or asset (§ 3 figure 1 paragraph 3). In the case of taxpayers with unrestricted liability within the meaning of the Law concerning the Tax on Real

and Personal Property (Vermögensteuergesetz), the value of the aforesaid economic units will be calculated by the Finanzamt (Revenue Office) (§ 73) solely for the purpose of assessing the unit-value of the total property; and the value of the aforesaid assets will be calculated by the Business Valuations Committee (§§ 65 to 68) solely for the purpose of assessing the unit-value of the commercial or professional undertaking.

A. AGRICULTURAL, FOREST AND HORTICULTURAL PROPERTY, LANDED PROPERTY.

1. Assessing Authorities.

§ 50.

(1) For the purpose of assessing the unit-value of agricultural, forestry and horticultural undertakings (§§ 11, 22 and 23) and also of land sites (§ 34) a committee with the title of the Land Values Committee (Grundwertausschuss) will be set up for the district of each Finanzamt (Revenue Office) at the seat of the Finanzamt.

(2) The Land Values Committees rank as Revenue Authorities of the Reich within the meaning of § 8 of the Reichsabgabenordnung. The Director (Vorsteher) of the Finanzamt acts as Chairman of the Land Values Committee. He directs the business of the

Committee, and takes all necessary measures other than the assessment of unit-values (paragraph 1); for this purpose he avails himself of the services of the officials and of the premises of the Finanzamt. The Presidents of the Landesfinanzämter (Provincial Revenue Offices), in whose districts the Land Values Committees are, exercise official supervision over their work.

(3) Separate sections of the Land Values Committees may be set up for the different local districts.

§ 51.

(1) Each Section of a Land Values Committee consists of the following members:

1. an official of the Finanzamt (Revenue Office). If the official attending the meeting is the Director of the Finanzamt, or the official appointed as his permanent substitute, such official acts as Chairman;

2. an official appointed by the Government of the Federal State, in the territory of which the agricultural, forestry or horticultural undertaking, or land site, under consideration is situate, such official to be so far as possible familiar with the work of valuation or to have technical knowledge of the assessment of land sites. In cases where the State or Commune levies a tax on land and buildings according to their specific value (§ 1 paragraph 2), the official representing the Federal

State is also Deputy Chairman; otherwise, the official of the Finanzamt (figure 1) acts as Chairman in all cases. In States where there is an authority whose duties include the valuation of land sites (e.g. a Survey Office), the Government of the State shall appoint an official of such authority in preference to any other official.

3. an official appointed by the Communal Council (Vorstand) of the Commune, in the territory of which the undertaking or land site is situate. In the case of a Commune whose population did not exceed one thousand inhabitants on the day of the last census taken in the Reich, the Communal Council is replaced, for the purposes of the present provision, by a Headman (Vorsteher), to be selected by the Representative Assembly of the Association of Communes (Gemeindeverband) to which the Commune belongs; in States where Associations of Communes do not exist, the Representative Assembly of Association of Communes is replaced by the supervisory authority in the State in question for the purposes of the present provision;

4. an equal number of members elected (a) by self-governing organisations and (b) by occupational representative organisations established under Public Law;

5. an equal number of members nominated (a) by the President of the Landesfinanzamt (Provincial Revenue Office) in whose

district the undertaking or land site is situate, and (b) by the Government of the State in whose territory the undertaking or land site is situate; the total number of such members must not exceed half the number of the members elected under figure 4.

(2) The Members of the Land Values Committees enjoy freedom of action in that capacity; they are bound by the Law and by all Executive Regulations. In the case of the members mentioned in paragraph 1 figures 1 to 3 the right of their superior authorities to issue instructions to them is not affected thereby.

(3) § 26 paragraphs 1 and 4 and §§ 27 to 31 of the Reichsabgabenordnung apply mutatis mutandis subject to the proviso that the specific provisions relative to the formation of the Committees will be issued by the Finance Minister of the Reich (§ 86) in consultation with the competent Ministers of the Reich; § 30 paragraph 1 sentence 2 of the Reichsabgabenordnung does not apply in respect of the members mentioned in paragraph 1 figures 2 and 3.

(4) § 53 paragraph 1 sentences 2 and 3 applies mutatis mutandis in the cases covered by paragraph 1 figures 2 to 5.

§ 52.

(1) The Chairman of a Land Values Committee (§ 50 paragraph 2 sentence 2) must keep permanently in touch with the Deputy Chairman (§ 51 paragraph 1 figure 2) in regard to the conduct of the Committee's

business in questions of principle; both these officials are responsible for ensuring in common accord that the available data in the possession of authorities of the Reich, States or Communes as regards the assessment and survey of land sites are utilised in the discussions preliminary to the decisions of the Committee, and taken into account when the decisions are taken.

(2) In the case of States where there are authorities whose duties include the valuation of land sites (e.g. Survey Offices), the Finance Minister of the Reich will, in consultation with the Government of the State concerned, transfer the preparatory work of assessing the individual sites to these authorities. Such preparatory work will be effected in constant consultation with the Director of the Finanzamt (Revenue Office); the powers of the Director of the Finanzamt as regards the direction of the business of the Land Values Committee (§ 50 paragraph 2 sentence 3), and the powers of the President of the Landesfinanzamt (Provincial Revenue Office) as regards the supervision of all assessment transactions in his district, are not affected hereby.

§ 53.

(1) The Land Values Committee of the Finanzamt (Revenue Office), in whose district the undertaking or land site is situate, is competent for the assessment of the unit-value of such undertaking or land site. If the undertaking or land site is situate in the district of more than one Finanzamt, the unit-value is assessed by the Committee of

the Finanzamt, in whose district the buildings which constitute the business offices for the undertaking or land site are situate; if the aforesaid buildings are situate in the districts of more than one Finanzamt, the unit-value will be assessed by the Committee of the Finanzamt, in whose district the most valuable part of the buildings is situate. The Finance Minister of the Reich (§ 86) may issue provisions derogating from those contained in sentences 1 and 2.

(2) In the event of divergencies of opinion and doubts with regard to the competence of different Committees, the public authority of the next highest rank above the Chairman of the Committee will decide. In cases where the unit-value is assessed more than once, the aforesaid authority decides which assessment is to rank as null and void.

(3) The transactions of a Land Values Committee or of its Chairman are not rendered inoperative by reason of the fact that the Committee was not competent in respect of locality. Proof that the Committee was not competent in respect of locality must be brought before the expiration of the period for lodging objections or appeals.

§ 54.

(1) The Finanzamt (Revenue Office) issues a notice in writing (assessment notice) intimating the amount of the unit-value assessed by the Land Values Committee:

1. to the owner of the undertaking or land site;

2. to the Land and Buildings Tax (Grund-und Gebäudesteuer) authority, competent under § 53 applied mutatis mutandis, and under the prescriptions issued for the execution of § 53. In States where there is no Land and Buildings Tax authority, such authority is replaced by the Government of the State or by the authority designated by the Government.

(2) The assessment notice will contain an intimation as to the legal redress permissible, and as to the period within which, and the authority to which, application therefor must be lodged.

(3) The assessment notice is to be served on the owner (paragraph 1 figure 1), and is to be communicated to the authority mentioned in paragraph 1 figure 2.

§ 55.

Unit-values which have been assessed will be published in accordance with the specific instructions of the Finance Minister of the Reich.

II. Legal Redress and Authorities therefor.

§ 56.

(1) Taxpayers are entitled as a means of legal redress to lodge a

counter-plea against the assessment notice. The Land Values Committee decides in regard to such counter-plea. Taxpayers are further entitled to lodge an objection against the decision of the Committee in regard to the counter-plea. The Higher Assessment Committee (§ 57) decides in regard to such objection. Taxpayers may lodge an appeal against the decision in regard to the objection; the Reichsfinanzhof (Supreme Financial Court of the Reich) decides in regard to the appeal. In all other matters relative to legal redress the provisions of the Reichsabgabenordnung apply mutatis mutandis, save in so far as otherwise provided in §§ 59 to 64, and subject to the proviso that the Higher Assessment Committee replaces the Financial Court (Finanzgericht).

(2) §§ 281 to 283 of the Reichsabgabenordnung apply in respect of legal proceedings relative to dispositions other than assessment notices (§ 50 paragraph 2 sentence 3); the Landesfinanzamt (Provincial Revenue Office) decides in regard to such suits.

§ 57.

(1) A Higher Assessment Committee (Oberbewertungsausschuss) will be established for the district of each Landesfinanz/amt (Provincial Revenue Office) at the seat α the Landesfinanzamt.

(2) The Higher Assessment Committees rank as Revenue Authorities of the Reich within the meaning of § 8 of the Reichsabgabenordnung; the President of the Landesfinanzamt (Provincial Revenue Office) in whose district the Higher Assessment Committee is established,

exercises official supervision over its work.

(3) The Higher Assessment Committee will be sub-divided into Chambers. The Chambers consist of five members each, three of whom will act in an honorary capacity; a quorum, for purposes of their decisions being formed when all five members are present.

(4) The members of the Higher Assessment Committees enjoy freedom of action in that capacity, and are subject only to the law of the land.

§ 58.

(1) The Chairman of the Financial Court (Finanz-gericht) attached to the Landesfinanzamt (Provincial Revenue Office) acts also as Chairman of the Higher Assessment Committee. He directs the business of the Committee and for this purpose avails himself of the services of the officials and of the premises of the Financial Court.

(2) The Chairman of the Higher Assessment Committee also acts as Chairman of the different Chambers. The Deputy Chairman of the Chambers will be appointed by the Finance Minister of the Reich from among the members of the Landesfinanzamt for the period of their service in the Landesfinanzamt.

(3) The Government of the State, in whose territory the undertaking or land site is situate, will appoint as permanent members of the

Chambers, and also as the State representatives therein, provided that they do not come under the provisions of paragraph 2, officials who must so far as possible be familiar with the work of valuation.

(4) §§ 16 to 18 of the Reichsabgabenordnung apply mutatis mutandis in respect of the honorary members, subject to the proviso that the specific prescriptions relative to the choice of such members, to the number and convocation of their substitutes, and also to their assignment to the individual Chambers, will be issued by the Finance Minister of the Reich (§ 86) in consultation with the competent Ministers of the Reich.

§ 59.

(1) The following are empowered to institute legal redress proceedings;

1. the owner of the undertaking or land site;

2. the Finanzamt (Revenue Office) whose district coincides with that of the competent Land Values Committee (§ 53);

3. the authority specified in § 54 paragraph 1 figure 2.

(2) If an authority institutes legal redress proceedings, the Chairman of the authority for such proceedings must inform the owners.

§ 60.

Legal redress proceedings relative to the assessment of the

unit-value of an agricultural or forestry undertaking, or of a viticultural undertaking, may, in so far as the assessment of such undertaking is thereby contested, only be instituted on the following grounds:

1. that the undertaking has been classified in too high or too low a category (§ 16 paragraph 3) in view of the relative proportions (§ 16 paragraph 1 figures 1 and 2) calculated by the Advisory Assessment Board, or in comparison with the other undertakings classified in the same category by the Advisory Assessment Board (§ 19 paragraph 1 figure 3), or

2. that the proportionate deductions from, or additions to, the standard amount (§ 16 paragraph 4) are assessed at too high or too low a figure.

III. Combined (Joint) Legal Redress Proceedings.

§ 61.

(1) If an agricultural, forestry or horticultural undertaking, or land site, is owned by more than one person either jointly (zur gesamten Hand) or in respect of separate moieties (zu Bruchteilen), the principle of uniform assessment of the unit-value,

in accordance with paragraphs 2 to 5, for all the joint owners, must be observed in the legal redress proceedings. If more than one suit of the same nature is instituted in respect of the same undertaking or the same land site, such suits will be combined.

(2) An authority empowered to institute legal redress proceedings can only contest the uniform assessment in respect of all the joint owners (paragraph 1 sentence 1).

(3) If one of the joint owners institutes legal redress proceedings, the award relative thereto is operative for or against all the joint members.

(4) If one of the joint owners institutes legal redress proceedings, the other joint owners shall be notified thereof, unless they have instituted identical proceedings upon the same application and upon the same grounds. The other joint owners are entitled to associate themselves with the legal redress proceedings. A declaration to this effect must be made within a fortnight. The fortnight begins on the expiration of the day on which notice of the institution of proceedings was communicated to the joint owners or, in cases where no notice was communicated, the day on which it was made public, or is taken to have been made public; the period expires only with the expiration of the current period within which the joint owners themselves are entitled to institute proceedings.

(5) The notice (paragraph 4) must contain:

1. a note intimating that the award made in respect of one joint owner is operative for or against all the joint owners.

2. a note intimating that the recipient of the notice is entitled to associate himself with the proceedings instituted, within the period specified in paragraph 4.

(6) Paragraphs 3 and 5 apply mutatis mutandis to proceedings instituted by an authority.

§ 62.

In cases where the buildings or accessories of an agricultural, forestry, or horticultural undertaking do not belong in their entirety to the ground landlord (§ 12 paragraph 2), §§ 49 to 61 apply conformably with §§ 63 and 64.

§ 63.

(1) The assessment notice relative to the amount of the assessed unit-value of the undertaking is to be intimated to the owner of the buildings and accessories as well as to the persons and authorities specified in § 54.

(2) The owner of the buildings and accessories, as well as the persons and authorities specified in § 59, is empowered to institute legal redress proceedings against the assessment of the unit-value.

(5) The notice (paragraph 4) must contain:

1. a note intimating that the award made in respect of one joint owner is operative for or against all the joint owners.

2. a note intimating that the recipient of the notice is entitled to associate himself with the proceedings instituted, within the period specified in paragraph 4.

(6) Paragraphs 3 and 5 apply mutatis mutandis to proceedings instituted by an authority.

§ 62.

In cases where the buildings or accessories of an agricultural, forestry, or horticultural undertaking do not belong in their entirety to the ground landlord (§ 12 paragraph 2), §§ 49 to 61 apply conformably with §§ 63 and 64.

§ 63.

(1) The assessment notice relative to the amount of the assessed unit-value of the undertaking is to be intimated to the owner of the buildings and accessories as well as to the persons and authorities specified in § 54.

(2) The owner of the buildings and accessories, as well as the persons and authorities specified in § 59, is empowered to institute legal redress proceedings against the assessment of the unit-value.

(3) In the case of proceedings against the assessment of the unit-value instituted by an authority, or by the ground landlord, or by the owner of the buildings and accessories, the ground landlord and the owner of the buildings and accessories rank as joint owners within the meaning of § 61 paragraphs 2 to 6.

§ 64.

(1) The joint owners of an undertaking, or the authorities specified in § 59, may institute legal redress proceedings in respect of the allocation of the unit-value assessed for the undertaking as between the joint owners (§ 12 paragraph 2), without contesting the actual assessment of the unit-value.

(2) The allocation of the unit-value assessed for the undertaking as between the joint owners will, in legal redress proceedings as for other purposes, be effected uniformly; that is to say, in every case the total unit-value will be divided as to its entirety among the joint owners. If the share allocated to one of the joint owners is reduced (or increased), the share allocated to the other joint owner will simultaneously be increased (or reduced)proportionately. If an authority empowered to institute legal redress proceedings sues in regard to an allocation, such authority can contest only the allocation adopted in respect of both joint owners. If more than one suit of the same character is instituted in respect of the allocation of the unit-value of one and the same undertaking, such units shall be combined.

(3) If only one of the joint owners institutes legal redress proceedings in respect of the allocation of the unit-value assessed for the undertaking as between the joint owners, the other joint owner shall be notified thereof. The latter joint owner is entitled to associate himself with the legal redress proceedings. A declaration to this effect must be made within a fortnight. The fortnight begins on the expiration of the day on which the notice of the institution of the proceedings was communicated to the joint owner or, in cases where no notice was communicated, the day on which it was made public, or is taken to have been made public; the period expires only with the expiration of the current period within which the joint owner is himself entitled to institute proceedings.

(4) The notice (paragraph 3) must contain:

1. a note intimating that the reduction (or increase) of the share assessed in respect of one of the joint owners involves a proportionate increase (or reduction) in the share of the unit-value to be allocated to the other joint owner;

2. a note intimating that the recipient of the notice is entitled to associate himself with the proceedings instituted, within the period specified in paragraph 3.

B. BUSINESS CAPITAL.

I. Assessing Authorities.

§ 65.

(1) For the purpose of assessing the unit-value of commercial and professional undertakings (§ 26) a committee with the title of Business Valuations Committee will be established for the district of each Finanzamt (Revenue Office) at the seat of the Finanzamt.

(2) The Business Valuation Committee assesses the unit-value of

1. the assets of a commercial or professional undertaking specified in § 31 paragraph 3, if such assets either as a whole or as to a predominatly major part are directly utilised for the business purposes of the undertaking in question,
2. the assets which belong only as to a part to the business capital of the undertaking, provided that the assets belonging to the business capital form the predominantly major part.

In assessing the unit-value of assets, the value of which is not assessed by the Business Valuations Committee under the terms of paragraph 1, the Committee will apply the provisions of §§ 50 to 64 mutatis mutandis.

§ 66.

(1) The Business Valuations Committee of the Finanzamt (Revenue Office), in whose district the place of management of a commercial or professional undertaking is situate, is competent for the assessment of the unit-value of such undertaking; the Finance Minister of the Reich (§ 86) may issue other prescriptions. § 53 paragraphs 2 and 3 apply mutatis mutandis.

(2) For the assessment of the unit-value of the assets specified in § 65 paragraph 2 sentence 1 the Business Valuations Committee of the Finanzamt in whose district the assets are situate will be competent; § 53 applies mutatis mutandis.

§ 67.

(1) In regard to the assessment of the unit-value of commercial or professional undertakings, §§ 50 and 51, § 52 paragraph 1 and § 54 apply mutatis mutandis, save in so far as otherwise provided in paragraphs 2 and 3 hereinafter, to the Business Valuations Committees and to the assessment procedure.

(2) The official appointed under paragraph 1 in combination with § 51 paragraph 1 figure 2 should so far as possible be conversant with the work of assessing business capital; the aforesaid official is appointed by the Government of the State, in whose territory the competent Business Valuations Committee (§ 66 paragraph 1) has its seat.

(3) The Assessment Notice relative to the amount of the assessed

unit-value will be communicated to

1. the owner of the undertaking or, in the case of undertakings of the kind specified in § 26 paragraph 2, a person entitled to represent the undertaking;

2. the Industrial Occupations Tax (Gewerbesteuer) authority, competent under § 66 paragraph 1 applied and the prescriptions issued in execution thereof, mutatis mutandis. In States where there is no special Industrial Occupations Tax authority, such authority is replaced by the Government of the State or by the authority designated by the Governmant.

§ 68.

(1) For the purposesof the assessment of the unit-value of the assets of a commercial or professional undertaking specified in § 65 paragraph 2 sentence 1, §§ 50, 51, 52 and 54 apply mutatis mutandis to the Business Valuations Committees and to the assessment procedure, save in so far as otherwise provided in paragraphs 2 and 3 hereinafter.

(2) The Business Valuations Committee will be composed in accordance with § 67 paragraph 2. In addition to the member mentioned in § 67 paragraph 2, the State or Communal official who is appointed to the Land Values Committee under § 51 paragraph 1 figures 2 or 3 may, in conformity with the specific prescriptions of the State in whose territory the competent Business Valuations

Committee (§ 66 paragraph 2) has its seat, attend the meetings of the Business Valuations Committee in an advisory capacity.

(3) The Assessment Notice relative to the amount of the assessed unit-value shall be communicated to

1. the owner of the undertaking or, in the case of undertakings of the kind specified in § 26 paragraph 2, the person empowered to represent the undertaking. In cases where the object or asset to be assessed belongs to a private partnership or to a commandite company and is in the possession of one or more of the partners of the company (§ 26 paragraph 2 figure 3 sentence 2), the assessment notice will be communicated to the owner of the object or asset in place of the owner of the undertaking or the person empowered to represent it;

2. the Industrial Occupations Tax authority; § 67 paragraph 3 figure 2 applies mutatis mutandis.

(4) If the assets, for which the unit-value is assessed, consist of land sites of the kind specified in § 31 paragraph 3 sentence 1 which serve agricultural, forestry or horticultural purposes, or of land sites of the kind specified in § 31 paragraph 3 sentence 2 , which are used for dwelling house purposes, § 55 applies mutatis mutandis in regard to the publication of the assessed unit-values.

II. Legal Redress and Authorities therefor.

§ 69.

(1) §§ 56 to 59 apply mutatis mutandis in respect of procedure for legal redress and the authorities therefor, save in so far as otherwise provided in paragraphs 2 and 3 below.

(2) In legal redress proceedings relative to the assessment of commercial or professional undertakings, the permanent members of the Chambers of the Higher Assessment Committee specified in § 58 paragraph 3, and their substitutes likewise, are replaced by officials who should so far as possible be conversant with the assessment of business capital. In legal redress proceedings relative to the assessment of the assets specified in § 65 paragraph 2 sentence 1, the Government of the State concerned (§ 68 paragraph 2) may prescribe that the officials specified in sentence 1 above are to be replaced by the officials specified in § 58 paragraph 3.

(3) The following are entitled to institute legal redress proceedings:

1. the owner of the undertaking or, in the case of undertakings of the kind specified in § 26 paragraph 2, a person empowered to represent the undertaking. In cases where it is prescribed that the assessment notice is to be served on the owner of the asset (§ 68 paragraph 3 figure 1), the owner is entitled to institute legal redress proceedings;

2. the Finanzamt (Revenue Office) whose district coincides with that of the competent Business Valuations Committee (§ 66);

3. the authority specified in § 67 paragraph 3 figure 2 or in § 68 paragraph 3 figure 2.

(4) If the assets for which the unit-value is assessed consist of land sites of the kind specified in § 31 paragraph 3 sentence 1, which serve agricultural, forestry and horticultural purposes, § 60 applies mutatis mutandis in regard to a plea contesting the assessment of the unit-value.

§ 70.

(1) If a commercial or a professional undertaking includes assets of the kind specified in § 65 paragraph 2 sentence 1 and if, the unit-value for the undertaking being assessed in accordance with § 65 paragraph 2 sentence 1, such assets are assessed at the unit-value specified for them hereunder, legal redress proceedings relative to the assessment of the unit-value for the undertaking may not be instituted on the plea that the assets in question are wrongly assessed.

(2) If the unit-value for an asset of the kind specified in § 65 paragraph 2 sentence 1 is revised subsequently, either by a legal award or by rectification of the amount,

1. such revision will, in cases where legal redress proceedings are pending in regard to the assessment of the unit-value for the undertaking, be taken into consideration in the award, or

2. the unit-value will be ratified by administrative action (von Amtswegen) in cases where the unit-value fixed for the undertaking can no longer be contested,

as soon as the revision of the unit-value has been made definitive.

III. Combined (joint) Legal Redress Proceedings.

§ 71.

(1) The provisions of § 61 relative to legal redress proceedings in respect of jointly owned property apply mutatis mutandis to

1. a commercial or professional undertaking, which is owned by more than one person either jointly or as to moieties, except in the cases covered by § 26 paragraph 2 figure 3 sentence 1,

2. an asset of the kind specified in § 65 paragraph 2 sentence 1, which is owned by more than one person either jointly or as to moieties, except in the cases covered by § 26 paragraph 2 figure 3 sentence 2,

3. in the cases covered by § 26 paragraph 2 figure 3 sentence 2, an asset of the kind specified in § 65 paragraph 2 sentence 1 which is owned by more than one partner in a company either jointly or as to moieties.

(2) The provisions of §§ 62 to 64 apply mutatis mutandis in regard to assets of the kind specified in § 31 paragraph 3 sentence 1, in cases where the buildings or accessories do not belong collectively to the ground landlord.

C. OTHER PROPERTY.

§ 72.

The value of the assets or objects forming part of "Other property" will be ascertained by the Finanzamt (Revenue Office) solely for the purpose of assessing the unit-value of the taxpayer's total property (§ 73).

D. TOTAL PROPERTY.

§ 73.

(1) The unit-value of a taxpayer's total property (§§ 45 to 48) will be assessed by the Finanzamt (Revenue Office), which is competent herefor under §§ 51 to 63 of the Reichsabgabenordnung, without the co-operation of a committee, in connection with the assessment of the Tax on Real and Personal Property (Vermögensteuer),

save in so far as otherwise provided in § 45 paragraph 2; the Finance Minister of the Reich (§ 86) may issueother prescription as to the competent authority. In the case of taxpayers who are liable to the Tax on Real and Personal Property, the assessment will be notified in the Real and Personal Property Tax Notice (§ 74).

(2) In cases of married persons' joint property copartnerships which have been extended after the decease of the husband or wife, the value of the joint estate is to be notified separately in the notice concerning the unit-value for the total property of the surviving husband or wife (§ 48 paragraph 2). The provisions as to the legal redress proceedings applicable to the assessment of the unit-value for the total property (§ 74) apply also to the assessment of the value of the joint estate.

§ 74.

(1) The assessment of the unit-value for the total property may be contested by the same legal procedure as is applicable in the case of the Tax on Real and Personal Property (Vermögensteuer).

(2) If the total property includes economic units belonging to one or more of the forms of property specified in § 2 figures 1 to 3 and if, the unit-value for the total property being assessed in accordance with § 45 paragraph 1, these units are assessed at the unit-values specified for them thereunder, legal redress proceedings relative to the assessment of the unit-value for the total property may not be instituted on the plea that the economic units are wrongly assessed.

(3) § 70 applies mutatis mutandis.

E. NEW ASSESSMENTS AND SUPPLEMENTARY ASSESSMENTS.

§ 75.

(1) If within a period of principal assessment (§ 6 paragraph 2) the value, as ascertained under the provisions of the present Law, of an economic unity of a property, being one of the forms of property specified in § 2 figures 1 to 3, or of one of the objects or assets specified in § 31 paragraph 3, varies in consequence of exceptional circumstances by more than one fifth or by more than one hundred thousand Reichsmarks, the unit-value will upon application be assessed anew (new assessment). Sentence 1 applies mutatis mutandis to the taxpayer's total property (§ 3 figure 2 a and b), if within a period of principal assessment the value, as ascertained under the provisions of the present Law, of the property varies in consequence of exceptional circumstances by more than one fifth or by more than one hundred thousand Reichsmarks. In cases where a key-date other than the date of principal assessment is taken as the basis for the principal assessment (§ 14, § 22 paragraph 2, § 24 paragraph 1, § 25 sentence 2 and § 29), the period of principal assessment is replaced for the purposes of the present provision by the period between the two prescribed key-dates. Variations in value due to a general change in the economic situation are not taken into account for the purposes of the present provision.

(2) The date of assessment (§ 5 paragraph 1) for new assessments is the date on which the event justifying such new assessment occurred. Securities, participatory rights and Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) of companies of the kind specified in § 26 paragraph 2 figure 1 will be assessed without respect to the date of assessment in conformity with the provisions of §§ 40 to 43 in the event of a new assessment of the unit-value for commercial or professional undertakings or for the total property.

(3) The persons entitled to institute legal redress proceedings against the assessment of a unit-value (§§ 59 and 62, § 63 paragraph 2, § 64 paragraph 1, § 69 paragraph 3, § 74 paragraph 1) are entitled to lodge an application for the new assessment of such unit-value (paragraph 1). Applications must be forwarded in writing to the Finanzamt (Revenue Office) or, if made verbally, taken down in an official minute; applications may be withdrawn pending a decision in the matter by the authority competent for the assessment of the unit-value in question (the Land Values Committee, Business Valuations Committee or Finanzamt). Notices of withdrawal must be forwarded in writing to the Finanzamt or, if given verbally, taken down in an official minute. If an application has been withdrawn, any subsequent application for the new assessment of the unit-value must be supported by facts other than those cited in support of the application which

has been withdrawn. The provisions of §§ 49 to 54 and §§ 56 to 74 apply mutatis mutandis to new assessments.

(4) New assessments hold good for the period of assessment beginning with the date of assessment (paragraph 2) and ending with the next folloing date of principal assessment. In cases where a key-date other than the date of principal assessment is taken as the basis for the principal assessment of the unit-value of an economic unit, and the date prescribed for the new assessment (paragraph 2) falls earlier than the date of principal assessment, the new assessment holds good for the period of principal assessment (§ 6 paragraph 2).

(5) If within the period of principal assessment land sites which form part of the agricultural, forestry or horticultural property, or of the landed property, situate in Germany, or belong to the objects or assets specified in § 31 paragraph 3 situate in Germany, are alienated, and if the conditions for new assessments specified in paragraph 1 above are not fulfilled in such cases, the person acquiring the sites shall indemnify the person alienating them in respect of the amount of the Land and Buildings Tax (Grund - und Gebäudesteuer) levied by the Federal States or Communes on the sites in question; an arrangement derogatory to the following foregoing provision between the parties to such transactions is not affected thereby.

§ 76.

(1) If within a period of principal assessment (§ 6 paragraph 2) an economic unit of one of the forms of property specified in § 2 figures 1 to 3 is created as an entirely new unit, the unit-value of such unit shall be assessed subsequently (supplementary assessment). In the case of economic units which are contracted or enlarged within a period of principal assessment, the unit-values of the units which have undergone such variation will not be assessed subsequently, but will be assessed anew subject to the conditions specified in § 75 paragraph 1.

(2) If within a period of principal assessment and conformably to the provisions of the Law concerning the Tax on Real and Personal Property (Vermögensteuergesetz)

1. a taxpayer becomes either unrestrictedly or restrictedly liable to taxation for the first time, or
2. a taxpayer with restricted liability becomes unrestrictedly liable, or a taxpayer with unrestricted liability becomes restrictedly liable,

the total property (§ 3 figure 2 a and b) will be assessed subsequently.

(3) §§ 49 to 54, §§ 56 to 74 and § 75 paragraph 2 and paragraph 4 sentence 1 apply to supplementary assessments.

F. UTILISATION OF UNIT-VALUES FOR THE ASSESSMENT OF TAXES ON UNIT-VALUES.

§ 77.

(1) If for the purpose of the assessment of the Tax on Real and Personal Property (Vermögensteuer) the total property is rated at the unit-value, which is fixed for the total property and is to be taken as a basis for such assessment conformably to § 7, legal redress proceedings relative to the assessment of the Tax on Real and Personal Property may not be instituted in virtue of the plea that the total property was rated for the purposes of such assessment at an incorrect amount.

(2) § 70 paragraph 2 applies mutatis mutandis.

§ 78.

In cases where in accordance with the provisions enacted under the Laws of the Federal States relative to the Tax on Land and Buildings (Grund- und Gebäudesteuer) on to the Tax on Industrial Occupations (Gewerbesteuer) sums are to be deducted from, or added to, the unit-value conformably to § 4 paragraph 2 for the purpose of determining the value liable to the tax, the determining of the sum to be deducted or added, and the deduction or addition, will be undertaken by the authority competent for the assessment of the Tax. In so far as uniform principles are laid down in regard to such deduction or addition, or in regard to the determining of the amount to be deducted

or added, in respect of the Tax levied by a Federal State or of the Taxes levied by its Communes, the Finance Minister of the Reich will, upon application by the State in question, entrust the determination of such amount to the authorities competent for fixing the unit-value (the Land Values Committees or Business Valuations Committees); the Finance Minister of the Reich, in agreement with the Federal State concerned, issues the requisite prescription for the execution of the foregoing provision.

§ 79.

(1) For the purpose of the assessment of the Tax on Land and Buildings (Grund - und Gebäudesteuer) and of the Tax on Industrial Occupations (Gewerbesteuer), § 77 applies mutatis mutandis in respect of the utilisation of the unit-value fixed for the economic unit liable to the Tax, save in so far as otherwise provided in paragraph 2 below.

(2) Legal redress proceedings which are instituted in the cases covered by § 4 paragraph 2 against the assessment of the Tax on Land and Buildings or of the Tax on Industrial Occupations, may, to the extent that they relate to the valuation of the asset or object liable to the Tax, be instituted only in virtue of the plea that the amount deducted from, or added to, the unit-value is correct; if the value of any objects or assets, for which a unit-value is determined in accordance with the present Law, is to be deducted or added for the purpose of determining the value

liable to the Tax, legal redress proceedings may not in cases where the assets or objects in question are rated at the specified unit-value (§ 4 paragraph 3), be instituted in virtue of the plea that the sum deducted or added is incorrect.

(3) Differences of opinion between the Finance Minister of the Reich and the Government of a Federal State with regard to the question whether any provision enacted under the Law of such State is compatible or no with § 4, are decided by the Reichsfinanzhof (Supreme Financial Court of the Reich) upon application by the Finance Minister of the Reich or by the Government of the State concerned. Such decision will be published in the Reichsgesetzblatt. Prior to such publication, legal redress proceedings relative to the assessment of the Tax on Land and Buildings or to the Tax on Industrial Occupations may not be instituted on the plea that the Federal State provision applicable to the Tax is incompatible with § 4.

SECTION IV.

PENAL, PROVISIONAL AND FINAL PROVISIONS.

§ 80.

(1) Offences committed in contravention of the provisions of

the present Law are governed by the provisions of the Reichsabgabenordnung relative to penal offences, with the proviso that the said provisions apply not only to offences committed in respect of taxes levied by the Reich, but also to offences in respect of taxes levied by the Federal States and Communes.

(2) Whosoever, being aware that his conduct may conduce to a diminution of the revenue from taxes on unit-values, attempts to mislead the authorities entrusted with the task of valuation, will be punished as if he were guilty of an attempt to defraud the revenue of the Reich.

(3) The provisions of the Reichsabgabenordnung relative to penal procedure apply to all offences committed in contravention of the present Law. The Finanzämter (Revenue Offices) are competent for all investigations and decisions in the matter.

§ 81.

(1) The present Law comes into force as from January 1, 1925.

(2) The first principal assessment of the unit-values (§ 5 paragraph 2) shall be based on the date of principal assessment as from January 1, 1925.

(3) For the first principal assessment of the unit-values, the Finance Minister of the Reich (§ 86) may, upon the application of the Advisory Assessment Board, restrict the duties assigned to

the Board under § 19 paragraph 1 figure 1, § 22 paragraph 2 and § 24 paragraph 1.

§ 82.

(1) The provisions of the present Law are not binding in respect of the Land and Buildings Taxes (Grund - und Gebäudesteuern) or the Industrial Occupation Taxes (Gewerbesteuer) assessed on the basis of value, which are levied by the Federal States or Communes for the calendar year 1925, or for a business year beginning in 1925; more especially, the Federal States (or, in so far as therefor provided in the legislation of the States, the Communes) may take as a basis for the assessment of such taxes either the criteria employed by them hitherto, or the values determined for the calendar year 1924 in the case of the assessment for the Tax on Real and Personal Property (Vermögensteuer), or alternatively they may employ the unit-values determined in virtue of the present Law for the date January 1, 1925, subject to the proviso that anticipatory payments will be levied on the basis of other criteria pending the determining of the unit-values. The unit-values determined under the present Law are to be employed first as a basis for the taxes, which will be levied for the calendar year 1925, or for a business year beginning in 1926; pending the determining of the unit-values on the basis of the date of principal assessment as from January 1, 1926, anticipatory payments may be levied conformably to values otherwise determined.

(2) The Finance Minister of the Reich (§ 86) will postpone for one year the date from which the provisions of the present Law are binding (paragraph 1), conformably to §§ 1 paragraph 2 and § 4, upon the States and Communes in respect of the Taxes on Land and Buildings and the Taxes on Industrial Occupations, if the assessment of the unit-values is not completed in sufficient time after the date of principal assessment to make it possible before the beginning of the calendar year 1926 to obtain from a comparison of the unit-values determined in the different Federal States reliable evidence whether the unit-values as determined correspond to the actual facts and can be regarded as comparable.

§§ 83.

(1) The Finance Minister of the Reich (§ 86) decides the date from which the unit-values determined for land sites (§§ 34) and for the assets or objects specified in §§ 31 paragraph 3 are to be taken as a basis in conformity with § 1 paragraph 2 and § 4 for the Land and Buildings Taxes (Grund - und Gebäudesteuern) levied by the Federal States and Communes.

(2) With regard to arrangements relative to Compensation for currency depreciation in connection with built-on land sites, the Federal States are entitled, in so far as the taxation levied by them does not consist of a special revalorisation tax or of a surcharge to the Tax on Land and Buildings, take as a basis the pre-War values, in lieu of the unit-values, for the assessment of agricultural, forestry or horticultural undertakings, or for landed property (§ 34),

or for assets or objects of the kind specified in § 31 paragraph 3.

§ 84.

(1) For such time as the customary rate of interest for long term credits secured by collateral differs appreciably from the customary rate obtaining for such credits in the period immediately preceding the War, the Finance Minister of the Reich may, with the assent of the Reichsrat, after consulting the Advisory Assessment Board, issue a decree having legal force and prescribing

1. the figure by which, in derogation of the provision contained in § 152 paragraphs 3 and 5 of the Reichsabgabenordnung, the net yield of agricultura, forestry or horticultural undertakings, or of built-on land sites, situate in Germany, is to be multiplied, in order to ascertain the capitalised yield value;

2. the figures by which, in derogation of § 145 paragraph 2 of the Reichsabgabenordnung, the value of one year's usufruct is to be multiplied in order to ascertain the value of annuities or other usufructs or emoluments which are restricted to the life-time of one person.

In prescribing the foregoing figures, account will be had to the difference between the rates of interest referred to in sentence 1, to the yield of the invested capital, and to any other circumstances arising out of the economic situation; the decree specified above may hold good either for a single period of principal

assessment or for several such periods.

(2) In issuing the Decree relative to categories of capitalised yield values and skeleton rates (§§ 16 paragraph 1 figure 3, §§ 22 paragraph 2 and §§ 24 paragraph 1), the figure specified in accordance with paragraph 1 figure 1 above is to be taken into account.

§ 85.

The Finance Minister of the Reich may issue provisions derogatory (§ 86) to those contained in §§ 35 and 36 with regard to the assessment of land sites (§ 34), which on the date of assessment were either wholly or partially subject to public control of housing conditions.

§ 86.

(1) In all clauses of the present Law wherein the Finance Minister of the Reich is empowered to issuee prescriptions, he may do so only with the assent of the Reichsrat.

(2) All other measures necessary for the execution of the present Law are taken by the Finance Minister of the Reich with the assent of the Reichsrat. The provision contained in sentence 1 above applies more especially to measures relative to

1. the conditions in which statements concerning the composition of a taxpayer's property, or the composition of such property, or concerning any other facts that may

be of importance for the valuation thereof, or an estimate of the value may be demanded. Statements of this nature rank as Steuererklärungen (statements made by the taxpayer on oath for the purposes of taxation) within the meaning of the Reichsabgabenordnung;

2. the proportion in which, and the procedure by which, the unit-values are to be divided for the purposes of the taxes levied by the Federal States and Communes on unit-values;

3. the conditions in which costs and other charges are to be collected and calculated.

The general costs arising out of the execution of the present Law are borne by the Reich. The obligation to bear the costs of legal redress proceedings conformably to the Reichsabgabenordnung is maintained in so far as the authorities of the Federal States or Communes are affected by them. Sentence 1 does not apply to costs incurred through the co-operation of officials of a Federal State or Commune in the work of assessment. Sentence 1 further does not apply to costs arising out of the division by the Reich of unit-values or of moieties of unit-values assigned to the Communes of a Federal State,

if the State in question has carried out the procedure relating to such division in a manner derogatory to the prescriptions issued conformably to figure 2, and the application of the provisions issued by the State herefor results in special expenditure.

Berlin, August 10, 1925.

The President of the Reich
von HINDENBURG

The Finance Minister of the Reich
von SCHLIEBEN

From the German
Translated - CP
Checked - RB
MH.

I.I.9.31246 Doc. 137.

BERLIN, September 17, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

LAW

IN AMENDMENT OF THE TAXES DEALING WITH THE MOVEMENT OF CAPITAL AND THE PROCEDURE THEREFOR

(GESETZ
ZUR AENDERUNG DER
VERKEHRSTEUERN
UND DES VERFAHRENS)

OF AUGUST 10, 1925.

(Reichsgesetzblatt 1 No.39 of August 15, 1925, page 241)

The Reichstag has voted the following Law, which is hereby promulgated with the assent of the Reichsrat.

ARTICLE I.

TAX ON THE MOVEMENT OF CAPITAL

The Law concerning the Tax on the Movement of Capital (Kapitalverkehrsteuer) is amended as follows :

1. In § 11

a) paragraph 1 is amended to read as follows: "The Tax shall amount to four per cent of the value of the object or asset";

b) sentence 2 of paragraph 5 is omitted.

2. In § 12 the words "two and a half" are replaced by the word "two".

3. In § 13, the provision d) is omitted.

4. Paragraph 1 of § 27 is amended to read as follows:

(1) The liability to the Tax arises in the case of bonds (Schuldverschreibungen) and annuity bonds (Rentenverschreibungen) held by German taxpayers at the moment the scrip is first issued, conveyed, mortgaged or becomes the subject of

any other transaction between living persons, or so soon as payments are effected thereon. In the case of other scrip or documents the liability to the Tax arises immediately transactions of the nature specified in sentence 1 are entered into for the first time in Germany. The liability to the Tax does not arise out of agreements for the custody or administration of securities.

5. In § 29 paragraph 1 ;

a) under c) the figure "0.20" is substituted for the figure "0.30;"

b) under d) the figure "0.40" is substituted for the figure "0.50".

6. To § 29 is added the following paragraph 5 :

"(5) The Finance Minister of the Reich is empowered, with the assent of the Reichsrat and of a Committee of the Reichstag, to reduce the rate of the Tax on Securities to the amount specified under paragraph 1, a) for such bonds held by Germans liable to the tax as are payable in foreign countries and are not admitted to quotation on German Bourses (Stock Exchanges) The above provision shall apply only where the liability to the Tax arises before December 31,1930."

7. § 52 is amended to read as follows :

"§ 52

"(1) The Tax shall amount for each 100 Reichsmarks, or fraction of 100 Reichsmarks, to the following :

	I Transactions as between Brokers	II Transactions for the account of clients	III Private Transactions
	Reichsmarks		
a) on bonds and annuity bonds of the Reich, the Federal States, German communes (or Associations of Communes and German communal credit banks	0.02	0.04	0.04
b) on bonds and annuity bonds of German corporations, municipal or provincial land-owners German Land Credit Banks and Mortgage Banks, German Shipping Mortgage Banks and Shipping Credit Banks, German settlement companies, German railway companies and German companies concerned in the construction or working of waterways, in so far as the said bonds and annuity bonds are issued with the approval of the State	0.03	0.06	0.06

	I Transactions as between Brokers	II Transactions for the account of clients	III Private Transactions
	Reichsmarks		
c) on German bonds and annuity bonds not included under a) and b) and on all foreign bonds and annuity bonds	0.05	0.10	0.10
d) on shares, Genussscheine (warrants entitling the holder to compensation out of future profits for present loss), and participatory rights within the meaning of § 35 paragraph 1 a, provided that the said participatory rights are not participatory rights in limited liability companies (§ 53), and on preference rights of shareholders in the event of an increase of capital (Bezugsrechte).....	0.10	0.30	0.30
e) on foreign bank-notes, foreign paper moneyand foreign coins	0.05	0.30	0.30
f) of foreign media of payment, not included under e)	0.01	0.01	0.01
g) on goods	0.04	0.04	0.04

"(2) The Tax shall amount to at least 10 Reichspfennigs. Larger amounts shall be rounded off to the next complete 10 Reichspfennigs above the amount of the Tax. "

8. § 53 is amended to read as follows :

" § 53

"In the case of participatory rights in limited liability companies, the Tax shall amount to 0.50 Reichsmarks for each 100 Reichsmarks or fraction of 100 Reichsmarks. It shall amount to a minimum of 3 Reichsmarks."

9. In § 55 the words "is in the case of transactions" are substituted for the words "is in the case of brokers' transactions".

10. § 57 is amended to read as follows :

§ 57

"(1) Where, upon conclusion of a purchase, it has been agreed that the quantity of the goods or the amount of money sold is to be repurchased (carry-over and contango business), the Tax shall be calculated once only and then on the highest value.

"(2) The Tax shall be reduced in the cases specified in paragraph 1 :

"a) on objects or assets of the nature specified in § 52 paragraph 1, d, for brokers' and clients' transactions, to 0.05 Reichsmarks for each 100 Reichsmarks or fraction of 100 Reichsmarks, in so far as the transactions relate to securities admitted officially to quotation on a German Bourse for time bargains (futures, options etc.)

in accordance with the regulations fixed by the Bourse authorities;

"b) on objects or assets of the nature specified in § 52 paragraph 1 g, to half the rates mentioned in the said § 52 paragraph 1,g.

"(3) Where in the cases specified in paragraph 2, a period of not more than half a month elapses between the dates on which purchase and resale are to be effected, the Tax shall be reduced to half of the rates mentioned in paragraph 2 above.

"(4) The Tax shall amount to at least 10 Reichspfennigs. Larger amounts shall be rounded off to the next complete 10 Reichspfennigs above the amount of the Tax."

11. § 62 paragraph 1 is amended to read as follows :

" § 62

"(1) The Government of the Reich is empowered:

" 1. to reduce the Tax on transactions coming within the categories specified in § 52 paragraph 1 d and § 57 paragraph 2 a;

"2. to reduce the Tax on carry-over and cantango transactions (§ 57) to half the amount in the case of transactions of the nature specified in § 52 paragraph 1 a to c, and to one-quarter of the amount in the case of transactions of the nature specified in § 57 paragraph 3 ;

"3. to rescind the preferential treatment accorded under § 57 paragraph 3 ;

"4. to reduce or to rescind the Tax for transactions of the nature specified in § 52 paragraph 1, e and f;

"5. to rescind the Tax mentioned in § 61."

ARTICLE II

TAX ON REAL ESTATE TRANSACTIONS

§ 1

The Tax on Real Estate Transactions (Grunderwerbsteuer) is amended as follows :

1. in § 8 paragraph 1 figure 7: the words "to facilitate a better utilisation from an agricultural point of view of land sites with different soils in contiguity" are added after the words "for purposes of amalgamation of land sites (rounding-off of property)".

2. in § 17: the words "three per cent" are substituted for the words "four per cent".

3. The following provision is added to § 21 paragraph 3 figure 2 :

"The same shall apply to institutions, installations and collective property belonging to private organisations engaged in welfare work, which assist public welfare organisations to cope with their task; further to the departments responsible for the working of the public insurance system of the Reich, the insurance cash offices taking the place of the Reich insurance offices (Ersatzkassen), Health Insurance Cash Offices maintained by the independent artisans' organisations; together with central organisations (unions) formed of the departments responsible for the working of the public insurance system of the Reich, in the fulfilment of their legal or statutory tasks."

§ 2

The following provision shall be inserted as paragraph 3 after paragraph 2 of § 36 of the Law regulating the Finanzausgleich (Allocation of Revenue between the Reich, the Federal States and the Communes):

"(3) The surtaxes may not be levied where, upon the formation of a German capital company of the nature specified in § 3 of the Law concerning the Tax on Movement of Capital (Kapitalverkehrsteuergesetz), or upon an increase of the capital of the company, land sites are brought into the company in return for certain privileges in the said company. The authority of the Federal States, Communes and Associations of Communes to levy surtaxes remains in force, if the transfer of the land site is not subject to the Companies Tax (Gesellschaftsteuer)".

ARTICLE III

TAX ON BILLS AND DRAFTS

1. The Law concerning the Tax on Bills and Drafts (Wechselsteuer)

(Wechselsteuergesetz) of August 10,1923 (Reichsgesetzblatt 1 page 778) as amended by the Decree of January 3, 1924 concerning the conversion of the Tax on Bills and Drafts to a gold basis (Verordnung über die Umstellung der Wechselsteuer auf Gold - see Reichsgesetzblatt 1 page 22). is amended as follows :

In § 8 paragraphs 1 and 2

for	"0.20"	read	"0.10"
"	"0.40"	"	"0.20"
"	"0.60"	"	"0.30"

2. The following new provision is inserted as § 8 a after § 8 :

"§ 8a

"The Tax shall be reduced to half the amount specified in § 8 in the case of bills or drafts which are drawn in Germany on a foreign country and are payable only abroad. The Tax shall amount to at least 10 Reichspfennigs. Larger amounts shall be rounded off to the next complete 10 Reichspfennigs above the amount of the Tax."

3. In § 15 paragraph 1 sentence 2 the words "the amount to be calculated in accordance with § 8 paragraph 1 and § 8a " are substituted for the words "the amount to be calculated in

accordance with § 8 paragraphs 1 and 3".

ARTICLE 1V.

TURNOVER TAX

§ 1

The Turnover Tax (Umsatzsteuergesetz) is amended as follows :

1. § 2 figure 7 is amended to read as follows :

"7. Payments or services in so far as they establish a liability to the Tax in virtue of the Law concerning the Tax on Movement of Calital (Kapitalverkehrsteuergesetz). Section I Companies Tax (Gesellschaftsteuer) or in so far as compensation was allowed for them within the meaning of the provisions of § 17 figure 4 of the Corporation Tax Law, (Körperschaftsteuergesetz) with regard to the Tax or Directors' Fees (Aufsichtsratsteuer).

2. The following new paragraph is added as figure 5 to § 3 paragraph 1 :

"5. Scholars or scientists without official appointment, artists and literary men, is so far as the turnover liable to the Tax does not exceed the amount of 6000 Reichsmarks per calendar year."

3. The following new paragraph is added as figure 6 to § 3 paragraph 1 :

"9 Brokers and jobbers is so far as they keep books and the turnover liable to the Tax does not exceed the amount of 6000 Reichsmarks per calendar year."

4. § 13 is amended to read as follows :

" § 13

"The Tax shall amount to 1.25 per cent of the consideration (price paid) in the case of all turnover transactions which are subject to the tax save in so far as higher rates are prescribed in the following provisions (§§ 15 and 21)."

5. "Tax on Manufacture" (Herstellersteuer) shall be substituted for the heading to § 15.

6. In § 15 paragraph 1 the words "7.5 per cent" are substituted for "10 per cent".

7. § 16 is amended to read as follows :

"(1) The Finance Minister of the Reich is empowered, with the assent of the Reichrat and of a Committee of the Reichstag composed of 28 persons, to issue specific regulations indicating the objects and assets liable to the Tax on Manufacture. In this connection objects or assets specified in § 15 may be exempted from the Tax on Manufacture, and objects and assets not specified in § 15 may be considered liable to the said Tax. Excessive specilisation and the ensuing prejudice to valuable skilled labour, as also the taxation of the objects or assets of minor importance, must further be avoided. Lastly, in the case of certain objects or assets or groups of objects or assets, the Tax may be fixed at a lower rate than 7.5.per cent; and further the meaning of "supply" (Lieferung) and "consideration"(Entgelt) for the purpose of the above regulations may be defined, and such definition shall be binding even where contrary to the general provisions of the present Law.

"(2) Before the regulations are issued they shall be submitted for examination to a committee of experts appointed by the Reichswirtschaftsrat (Economic Council of the Reich). The regulations will cease to be in force upon the demand of the Reichstag."

8. In § 17

a) in the first sentence the words "of §§ 15 and 16" are substituted for the words "of § 15";

b) in figure 3 the words "in §§ 15 and 16 are substituted for the words "in § 15";

9. In § 19

a) in sentence 1 the words "in §§ 15 and 16" are substituted for the words "in § 15";

b) in sentence 2 the words "of § 15 or § 16 are substituted for the words "of § 15".

10. a) In the first sentence of § 20 the words "in §§ 15 and 16" are substituted for the words "in § 15", and the number "5" for the number "6" ;

b) The following paragraph is added to § 20 as paragraph 2 :

"The Finance Minister of the Reich with the assent of the Reichsrat, shall fix the percentage to be reimbursed in the case of objects or assets subject

to a lower rate than 7.5 per cent."

11. The words "Tax on Retail Trade" (Kleinhandelsteuer) is substituted for the heading to § 21.

12. In § 21 paragraph 1: the words "7.5 per cent" are substituted for the words "10 per cent".

13. §§ 25 to 29 are omitted.

14. Paragraph 3 of § 31 is omitted.

15. In § 37 a paragraph 1 the words "within one month" are substituted for the words "within two weeks".

16. In § 44 the following sentence is added as sentence 2 after sentence 1 : "Federal States and Communes (or Associations of Communes) may no longer levy taxes on the consideration (money received) for sleeping and dwelling rooms in inns, boarding-houses or private houses."

§ 2

Where in virtue of § 2 figure 1 a,b and c, § 2 figure 3, §§ 16, 18, 20, 22, 24, 31, 33, 35, 38, 39 and 40 of the Turnover Tax Law (Umsatzsteuergesetz) the Reichsrat is charged with the issue of regulations, such regulations shall be issued in its stead

by the Finance Minister of the Reich, who shall require the assent of the Reichsrat to the issue of the said regulations.

ARTICLE V.

PROCEDURE.

The Reichsabgabenordnung (Fundamental Law concerning Taxation of the Reich) is amended as follows :

1. The following sentence is added to § 25 paragraph 1 :

"It is further incumbent upon the above-mentioned Committee to examine the Tax Rolls containing the results of the assessment for the purpose of controlling the assessment."

2. The following shall be added to § 162 as paragraph 10 :

"The books and working arrangements of big concerns shall be subjected once every three years at the least to a thorough audit by adequately trained officials or experts of the Finance Administration of the Reich. The said audit shall be extended to all points which may be of significance in so far as taxation is concerned. It

shall cover in each case the period from the date of the last audit; the Finance Minister of the Reich shall determine the period to be audited in the case of concerns audited the first time. Big concerns are concerns which are classified as such in the official statistics of industrial enterprises".

3. Paragraph 2 of § 289 is amended to read as follows :

"Fees shall be calculated according to the value of the object under dispute and according to § 8 of the Law regulating Court Fees (Gerichtskostengesetz), and shall amount :

"in the case of counter-pleas, appeals and contestations, to the fees prescribed in the said Law;

"in the case of objections, to double the fees ;

"in the case of appeals to a higher Court, three times the fees."

4. Paragraph 2 of § 427 is amended to read as follows :

"At the request of the Finanzamt (Revenue Office), a second Lower Court Judge (Amtsrichter) shall be required to attend the principal proceedings before the Judge and Jury (Schöffengerichte). The Finanzamt

shall not make such a request, unless the importance and significance of the question appears to render necessary the presence of a second Lower Court Judge. The request shall be attached to the letter with which the Finanzamt transmits the depositions to the Public Prosecutor (paragraph 1 sentence 1); the Public Prosecutor shall transmit the said request together with the depositions (paragraph 1 sentence 2) to the Court."

§ 2.

§§ 46 and 47 of the Third Steuernotverordnung (Third Emergency Tax Decree) are rescinded.

ARTICLE VI.

FLIGHT FROM CAPITAL AND TAXATION.

The following Laws and Decrees are hereby declared to be null and void :

1. Law of March 1, 1919, concerning the Sealing of Documents Printed Matter, Securities and Media of Payment when passing the Frontier into Foreign Countries (Gesetz über

die Einsiegelung von Schriften, Drucksachen, Wertpapieren und Zahlungsmitteln beim Grenzübertritte nach dem Ausland : see Reichsgesetzblatt page 265);

2. Decree of November 15,1918, concerning Control of Correspondence forwarded by the Post and of Telegrams to Foreign Countries (Verordnung über die Post- und Telegrammüberwachung im Verkehre mit dem Auslande : see Reichsgesetzblatt page 1324) ;

3. Decree of January 15,1919 concerning the Flight of Capital abroad by the Conclusion of Insurance Policies (Verordnung über Kapitalabwanderung in das Ausland durch Abschluss von Versicherungen: see Reichsgesetzblatt page 49);

4. Decree of October 24, 1919, concerning measures to be taken to prevent the Flight of Capital (Verordnung über Massnahmen gegen die Kapitalflucht : see Reichsgesetzblatt page 1820), as amended by the Law of March 10, 1923, providing for the taking into account in all Taxation Laws of Currency Depreciation (Gesetz über die Berücksichtigung der Geldentwertung in den Steuergesetzen : see Reichsgesetzblatt 1 page 193);

5. Law of June 24, 1919, supplemental to the Law to prevent Escape from Taxation (Gesetz zur Erganzung des Gesetzes gegen die Steuerflucht : see Reichsgesetzblatt page 583).

ARTICLE VII

TRANSITIONAL AND CONCLUDING PROVISIONS

§ 1

(1) The Finance Minister of the Reich is empowered with the assent of the Reichsrat, to issue the necessary regulations for putting into execution the present Law.

(2) The Finance Minister of the Reich is further empowered with the assent of the Reichsrat to reissue in amended form and with consecutively numbered paragraphs, the Law concerning the Tax on the Movement of Capital (Kapitalverkehrsteuergesetz), the Turnover Tax Law (Umsatzsteuergesetz), the Law concerning the Tax on Bills and Drafts (Wechselsteuergesetz) and the Law concerning the Tax on Real Estate Transactions (Grunderwerbsteuergesetz). and to make the necessary adaptations to bring them into agreement with the provisions in force, in particular with those of the Coinage Law (Münzgesetz).

§ 2

The Finance Minister of the Reich is empowered to issue the necessary provisions to cover the period of

transition in connection with the Turnover Tax (Umsatzsteuer) and with Procedure.

§ 3

(1) The provisions of the present Law come into force as follows :

Article I figures 4 and 6, Article IV § 1 figures 2 and 3 as from January 1,1925;

Article IV § 1 figures 13 and 14 on August 1,1925;

Article IV § 1 figures 4,6, 12 and 16 on October 1,1925 ;

the remaining provisions contained in Article IV, on the day following publication.

(2) The remaining provisions of the Law come into force on September 1, 1925.

Berlin, August 10, 1925.

The President of the Reich

VON HINDENBURG

The Finance Minister of the Reich

VON SCHLIEBEN

From the German
Translated CFH
Checked - RB,
BB.

I.I. 9.4133. Doc. No. 138.

Berlin, September 18, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE BALANCE SHEET OF THE RENTENBANK AS ON AUGUST 31, 1925.

The following is the comparison between the balance sheet of the Rentenbank as on August 31, 1925, and the balance sheet as on July 31 ~~June 30~~, 1925.

	Balance sheet of August 31, 1925.	Difference as compared with that of July 31, 1925. (+ or -)
A S S E T S		
Charges upon German Industry	2 000 000 000	
Rentenbriefe as on July 31, 1925: RM 1 999 844 000 as on Aug. 31, 1925: RM 1 999 844 000		
Loans to the Reich	1 109 608 759.65	- 1 600 059.93
Outstanding credits (including 9 million RM granted to the Reich as credits for clearing ground for agricultural purposes)	780 334 583.57	
Balance in hand: Giro accounts, Postal Cheque accounts and cash in hand	92 722 123.08	- 150 751 463.16
Office furniture and supplies	15 864.95	- 71 632.51
Miscellaneous assets	-	-

LIABILITIES	Balance sheet of August 31, 1925.	Difference as compared with that of July 31, 1925. (+ or -)
Capital	2 000 000 000	-
Rentenbank notes in circulation	1 834 178 828	- 1 600 060
Redemption of Rentenmarks in conformity with § 7c of the Law on the Liquidation of Rentenbank Notes	55 608 514.68	
Rentenbriefe in circulation	156 000	
Credit of the Rentenbank Credit Institution	12 854 983.69	+ 12 854 983.69
Reserves	5 796 723.95	+ 5 796 723.95
Miscellaneous liabilities	1 300	- 812.50
Carried forward	11 109 591.79	+ 11 109 591.79

The balance sheet for the financial year 1924, having been approved by the General Meeting of the Rentenbank on August 5, 1925, the returns for August 1925 include the reductions effected in respect of "Office furniture and supplies". The reserves included in the 1924 balance sheet figure in the returns for August 1925, subject to deduction of the payments made from those reserves since the beginning of the year. 170 million RM, representing part of the profits for 1924, were transferred to the Rentenbank Credit Institution. 12.8 millions of this amount have not been actually paid over, and remain in a suspense account at the disposal of the Institution.

The transfer to the Credit Institution is shewn under the Assets by a decrease in "Balance in hand". The decrease is less than the sum referred to above on account of the fact that the profits for the month of August are included.

In conformity with § 7c of the Law on the Liquidation of Rentenbank Notes, 1 600 059 RM, representing interest paid by the mortgagors, have been paid into the Sinking Fund at the Reichsbank. "Loans to the Reich" and "Rentenbank notes in circulation" have fallen accordingly.

Since the Law on the Liquidation of Rentenbank Notes came into operation, the following sums have been paid in to the Sinking Fund:

Rent M.	45 391 240.35	under	§ 7 a	of	the	Law
"	45 000 000	"	7 b	"	"	"
"	55 608 514.68	"	7 c	"	"	"
"	100 000 000	"	II	"	"	"

or a total of Rent M. 245 999 755.03

From the French
Translated - GHL
Checked - RB
RMD

I.I.9.31243

Doc. No. 139

Berlin, September 23, 1925.

TRANSFER COMMITTEE.

ECONOMIC SERVICE.

L A W

CONCERNING TAXES ON REAL AND PERSONAL PROPERTY AND SUCCESSIONS.

(GESETZ UEBER VERMOEGEN- UND ERBSCHAFTSTEUER)

OF AUGUST 10, 1925.

(Reichsgesetzblatt I, No.39 of August 15, 1925, page 233)

ARTICLE I.

TAX ON REAL AND PERSONAL PROPERTY

§ 1.

A tax will be levied on Real and Personal Property (Vermögensteuer) according to the provisions of the present Law.

A. LIABILITY TO THE TAX

REAL AND PERSONAL PROPERTY.

§ 2.

The following are liable to the Tax to the total amount (§ 3 figure 2a of the Assessment Law of the Reich - Reichsbewertungsgesetz) of their property (unrestricted liability to the Tax on Real and Personal Property):

1. a) all natural persons having their domicile, or being usually resident, in the German Reich. Persons are considered to be usually resident in the German Reich who have resided there for more than six months: where the term of residence exceeds six months, the liability to pay the Tax covers also the first six months:

b) officials of the Reich, officials of the States, and members of the Defence Forces (Army and Navy of the Reich), who are resident abroad in the fulfilment of their duties. Elective consuls do not rank as officials within the meaning of the present provision. The officials of the Railway Company and of the Reichsbank rank as officials of the Reich.

2. a) joint stock companies, joint stock commandite companies, colonial companies, mining associations endowed with legal personality and mining partnerships not endowed with legal personality, limited liability companies, co-operatives, mutual insurance associations, mortgage banks and marine mortgage banks;

b) societies, institutions, endowments or other estate assigned to promote some particular object or utility and any corporations under Civil Law not coming under (a) above, whether such societies, institutions, estates or corporations are endowed with legal personality or not;

c) private partnerships (offene Handelsgesellschaften) and commandite companies;

d) credit institutions under Public Law;

provided that their registered office or place of management is situate in Germany.

§ 3.

The following are liable to the Tax in respect of agricultural, forest and horticultural property, business capital and landed property (the total property situate in Germany within the meaning of § 3 figure 2 b of the Assessment Law) (restricted liability to the Tax on Real and Personal Property):

1. all natural persons, not being unrestrictedly liable to the Tax under § 2 figure 1;

2. all corporations, associations of persons, collective property, companies and institutions, if their registered office or place of management is situate abroad.

§ 4.

(1) The following are exempt from the Tax on Real and Personal Property:

1. the Reichsbank, the Rentenbank, the Golddiskontbank, and the

Bank für deutsche Industrie-Obligationen (Bank for German Industrial Debentures);

2. State banks expressly founded for the primary object of doing business of utility to the State or of public utility;

3. undertakings, whose income goes exclusively to the Reich, the States, or the Communes (Associations of Communes), in so far as they are not credit institutions;

4. Public Savings Offices, or Savings Offices serving the public, which confine their activities to the work of Savings Banks proper. The Finance Minister of the Reich, with the assent of the Reichsrat, shall define what is to be regarded as the work of a Savings Bank proper within the meaning of this provision;

5. wood and forest co-operatives, Hauberg co-operatives (wood and forest co-operatives in a part of Westphalia), garden city settlement co-operatives (Laubgenossenschaften) and similar communities connected with the land, in so far as they have no other business activity exceeding the limits of a subsidiary occupation;

6. associations of persons, institutions, endowments and other estate assigned to promote some particular object or utility, which according to the terms of their statutes, articles of endowment, or other document of constitution, are exclusively devoted to religious or charitable objects or objects of public utility. The Finance Minister of the Reich shall issue detailed regulations, with the assent of the Reichsrat, determining the conditions under which an association of persons, or estate assigned to promote some particular object or utility, or an object, is to be regarded as charitable or of public utility within the meaning of this provision;

7. professional associations without Public Law status, which are not in aim business undertakings;

8. limited liability companies and joint-stock companies, the chief object of which is the administration of property for a professional association not enjoying legal status of the category mentioned in figure 7, in so far as their income is mainly derived from the administration of the property and goes exclusively to the association;

9. Pensions Funds, Widows' Funds, Orphans' Funds, Burial Funds, Health Insurance Funds, Relief Funds and other institutions for aid in the event of indigence or unemployment which are endowed with legal personality. The same applies to institutions of this character not endowed with legal personality, when the permanent utilisation of the income for the objects for which the institutions were founded (or, in the event of the liquidation

of the instsitution , for similar objects) is assured;

10. natural and juridical persons, associations of persons not endowed with legal personality, institutions, endowments, and other estate assigned to promote some particular object or utility, if they are entitled to claim exemption from personsl taxes in virtue of general principles of International Law, or of special agreements concluded with other States, provided always that the principle of reciprocal treatment is observed.

(2) The exemptions under paragraph 1 figures 2 to 9 do not apply in the case of restricted liability to the Tax.

§ 5.

(1) Property within the meaning of the Law on the Tax on Real and Personal Property is property within the meaning of the Assessment Law (see § 2 of the same).

(2) Property is to be assessed for the Tax on Real and Personal Property at the unit-value which has been determined (a) for the total property of the tax-payer in the case of tax-payers with unrestricted liability, and (b) for the total property situate in Germany in the case of tax-payers with restricted liability (§ 3 figure 2 of the Assessment Law).

(3) The date prescribed for the assessment of the Tax on Real and Personal Property (§ 7 of the Assessment Law) is :

in the case of principal assessments, the date of principal assessment in each case within the meaning of § 5 paragraph 2 of the Assessment Law;

in the case of new assessments and supplementary assessments, the date of assessment under § 75 paragraph 2, and § 76 paragraph 3 of the Assessment Law.

B. RATES OF ASSESSMENT.

§ 6.

For the purpose of assessing the Tax on Real and Personal Property the value of the property shall be rounded off to the nearest hundred below the actual figure.

§ 7.

(1) The Tax on Real and Personal Property amounts yearly to 5 per mille of the value of the property thus rounded off.

(2) The Tax on Real and Personal Property is reduced, when the value of the property after rounding off :

does not exceed 10 000 Reichsmarks, to 2 per mille

exceeds 10 000 Reichsmarks, but does not exceed 25 000 Reichsmarks, to 3 per mille

exceeds 25 000 Reichsmarks, but does not exceed 50 000 Reichsmarks, to 4 per mille.

(3) The Tax on Real and Personal Property is increased, when the value of the property after rounding off:-

exceeds 250 000 Reichsmarks, but does not exceed 500 000 Reichsmarks, to 5.5 per mille

exceeds 500 000 Reichsmarks, but does not exceed 1 000 000 Reichsmarks, to 6.- per mille

exceeds 1 000 000 Reichsmarks, but does not exceed 2 500 000 Reichsmarks, to 6.5 per mille

exceeds 2 500 000 Reichsmarks, but does not exceed 5000 000 Reichsmarks, to 7.- per mille

exceeds 5 000 000 Reichsmarks, 7.5 per mille

The maximum rate for property, the income on which is subject to taxation by States and Communes, shall be 5 per mille.

§ 8.

(1) The Tax on Real and Personal Property will not be levied in the case of tax-payers who are unrestrictedly liable to the Tax, if the value of the property after rounding off does not exceed 5 000 Reichsmarks.

(2) The Tax on Real and Personal Property is not levied in the case of natural persons unrestrictedly liable to the Tax,-

1. if the value of the property after rounding off does not exceed 10 000 Reichsmarks, and the income for the last year does not exceed 3 000 Reichsmarks; the limit of exemption of income from the Tax is increased in the case of tax-payers, whose household includes more than one child under age within the meaning of § 23 of the Income Tax Law,

   a) in the case of two children, to 4 000 Reichsmarks;

   b) in the case of three or four children, to 5 000 Reichsmarks;

   c) in the case of more than four children, to 6 000 Reichsmarks.

   The income for the last year is deemed to be the income for which the tax-payer has been assessed for the calendar year (or, in cases where the business year does not coincide

with the calendar year, the business year) immediately preceding the date of assessment; if there has been no assessment for Income Tax, the income to be calculated conformably with the provisions of the Income Tax Law in such case is taken instead of the assessed income;

2. if the value of the property after rounding off:

a) does not exceed 20 000 Reichsmarks, and the income for the last year (figure 1 above) does not exceed 5 000 Reichsmarks,

b) does not exceed 30 000 Reichsmarks, and the income for the last year does not exceed 4 000 Reichsmarks,

where the tax-payer is over sixty years of age or incapable of working, or permanently incapacitated from earning his own living. The exemption limits of the income are raised, in the case of tax-payers whose households include more than two children under age within the meaning of § 23 of the Income Tax Law, to 6 000 Reichsmarks in the case of a), and to 5 000 Reichsmarks in the case of b). In the case of husbands and wives whose incomes are assessed together for the Tax on Real and Personal Property, the exemption granted under sentence 1 above only applies where the conditions laid down in respect of old age, incapacity or inability to work, are present in the case of the husband; the exemption applies also where they are present in the case of the wife, but in this case only where the wife contributes, or has contributed, to any considerable extent to the acquisition of the property.

§ 9.

In the case of a married persons' joint property co-partnership which has been extended after the decease of the husband or wife (§ 48 paragraph 2 of the Assessment Law) the Tax is to be calculated on the property of the surviving husband or wife, including the entire joint estate, at the rate which would be applicable if the property of the surviving husband or wife comprised only the part which would have fallen to him or her, had the property been divided.

C. ASSESSMENT AND COLLECTION.

§ 10.

(1) The property of husbands and wives is assessed together, if their property is to be reckoned as a whole, according to the provisions of the Assessment Law (§ 48 paragraph 1) for the purpose of determining the unit value of the total property.

(2) The liability of a husband or wife in respect of the Tax on Real and Personal Property in accordance with § 95 paragraph 2 of the Reichsabgabenordnung (Fundamental Law on Taxation of the Reich)

is not extinguished by the fact that he or she did not possess property within the meaning of the present Law on the date of assessment.

§ 11.

The general assessment for the Tax on Real and Personal Property (principal assessment) is effected for the period of principal assessment prescribed in § 6 paragraph 2 sentences 1 and 2 of the Assessment Law for the unit-values of the total property (period of principal assessment).

§ 12.

(1) A new assessment within the period of principal assessment will be effected in cases in which the unit-value is assessed anew under § 75 paragraph 1 of the Assessment Law for the total property of the taxpayer. The new assessment has effect for the period from the beginning of the calendar month immediately following the date of assessment for the new assessment (§ 75 paragraph 2 sentence 1 of the Assessment Law) to the end of the current period of principal assessment. The original assessment is valid until the end of the calendar month in which the date of assessment prescribed for the new assessment falls.

(2) A supplementary assessment is effected in cases in which the unit-value for the total property of the taxpayer is assessed subsequently under § 76 paragraph 2 of the Assessment Law. Paragraph 1 sentences 2 and 3 apply mutatis mutandis to such supplementary assessments.

§ 13.

If liability to the Tax ceases in the course of a period of assessment, the Tax will only be levied until the end of the calendar month, during which the liability ceases.

§ 14.

(1) § 73 paragraph 1 sentence 1 of the Assessment Law applies mutatis mutandis to the assessment of the Tax on Real and Personal Property.

(2) The Finanzamt (Revenue Office) shall notify the taxpayer in writing of the amount of Tax owed by him (Notification of the Tax on Real and Personal Property).

§ 15.

(1) The Tax on Real and Personal Property falls due in instal-

ments of one quarter of the yearly amount on February 15, May 15, August 15 and November 15. Taxpayers whose estate mainly consists of agricultural property have, in place of the two quarterly instalments due on August 15 and November 15, to pay half the yearly amount on November 15.

(2) Until such time as he receives the notification of the Tax on Real and Personal Property for a new period of principal assessment, the taxpayer has to make anticipatory payments on the dates specified in paragraph 1 above to the amount of one-quarter of the last assessed annual total of his Tax liability; paragraph 1 sentence 2 applies mutatis mutandis.

(3) Where the quarterly amounts due according to paragraph 1 pending receipt of the notification of the Tax are greater than the anticipatory payments due according to paragraph 2 pending receipt of the notification, the difference is to be paid at the same time as the next quarterly payment falling due after the receipt of the notification. Where the quarterly payments due according to paragraph 1 pending receipt of the notification are less than the anticipatory payments effected according to paragraph 2 pending receipt of the notification, the difference is to be credited to the account of the next quarterly payment falling due after receipt of the notification.

(4) Where a taxpayer represents credibly that the yearly amount of Tax assessable at the new principal assessment will probably be considerably less than that assessed at the last assessment (on which last assessment his anticipatory payments under paragraph 2 are based), he is entitled to be allowed a respite in respect of a proportionate amount of the difference in the case of each anticipatory payment (paragraph 2) until such time as he receives the notification for the new period of principal assessment.

§ 16.

Should the debts of a partner in a private company (offene Handelsgesellschaft) or commandite company, who is unrestrictedly liable to the Tax, exceed the total property within the meaning of § 3 figure 2a of the Assessment Law, he may claim rebate in respect of the difference between the amount of Real and Personal Property Tax paid by the company and the amount which the company would have to pay, if his debts were subtracted from the amount of the property; debts of such a partner are only to be taken into account in so far as they exceed his total property, and only to the amount of the value of his share in the property of the company. The Finance Minister of the Reich shall issue detailed regulations in regard to the method of rebate.

§ 17.

(1) Where husband and wife are assessed together for the

Real and Personal Property Tax (§ 10 paragraph 1), each shall be considered liable for that proportion of the Tax for which he or she would be assessed, were the property of each party assessed separately, save in so far as § 8 is applicable.

(2) Paragraph 1 above applies mutatis mutandis to the case of married persons' joint property co-partnerships extended after the decease of the husband or wife, in respect of the relations between the surviving husband or wife of the one part and the heirs with reversionary or other rights in the joint estate of the other part.

§ 18.

(1) The holder of an entail, fief, Stammgut or Hausgut (entailed, enfeoffed, or otherwise locked up family estate) or of property tied in any other manner under the legislation of his Federal State (see Articles 57 to 59 of the Introductory Law to the Civil Code) is empowered, with the assent of the supervisory authority, to take property out of the entailed or tied estate to an amount representing that part of the Real and Personal Property Tax which is due under paragraph 4 in respect of the entailed or tied estate, and for this purpose to dispose of objects or assets forming part of the estate.

(2) The provision of paragraph 1 above shall not affect the power of the holder of entailed or tied property to dispose of such property under other legal or statutory provisions (provisions contained in articles of endowment) made and provided for other circumstances.

(3) If there is no supervisory authority, or if it is doubtful what authority is to be regarded as the supervisory authority, the Oberlandesgericht (Supreme Court of the Federal State), in whose district the entailed or tied estate is principally situate, is deemed to be the supervisory authority. If the assent of an Oberlandesgericht is obtained, it cannot subsequently be maintained that the Oberlandesgericht is not competent. The central authority of the Federal State can decide that another authority shall be the supervisory authority in lieu of the Oberlandesgericht.

(4) If the total property includes both free property and entailed or tied property, the provision of § 17 paragraph 1 concerning the proportions of tax falling upon a husband and wife assessed toegether applies mutatis mutandis to the determining of the proportions of tax falling upon the entailed or tied property and the free property respectively.

§ 19.

A first heir is entitled to take property out of an estate to an amount corresponding to that part of the Tax on Real and Personal Property which is due in respect of his inheritance. The provision

of § 17 paragraph 1 concerning the proportions of tax falling upon a husband and wife assessed toegher applies mutatis mutandis to the determining of the proportions of tax falling upon the first heir's inheritance and the rest of his property respectively.

§ 20.

In the case of taxpayers who, by drawing income from foreign countries, become unrestrictedly liable to the Tax, the Finance Minister of the Reich may decree that, in particular cases or groups of cases, entire or partial exemption may be granted, for a period of five years from the commencement of the said unrestricted liability for the property or particular objects or assets of the property, and in particular foreign agricultural, forest or horticultural property, business capital or landed property; the Finance Minister may in such cases, in agreement with the taxpayer, fix a lump sum to be paid as Real and Personal Property Tax.

D. TRANSITIONAL AND CONCLUDING PROVISIONS.

§ 21.

The provisions of §§ 1 to 20 apply for the first time to the assessment for the Tax on Real and Personal Property for the calendar year 1925. The provisions of § 12 paragraph 2 figure 6, § 15 and § 18 paragraph 4 of the Law on the Limiting of the Liability of the Reich for Compensation to German Nationals for Damages arising out of the Treaty of Versailles (Reichsentlastungsgesetz) of June 4, 1923, (Reichsgesetzblatt I page 305) and § 1 figure 3 and § 3 of the Decree of July 2, 1923 (Reichsgesetzblatt I, page 613) do not apply to the assessment for the calendar year 1925 or subsequent calendar years.

§ 22.

Until the notification of the Real and Personal Property Tax for the calendar year 1925 has been received by the taxpayer, the anticipatory payments are to be made on the basis of the notification for the Real and Personal Property Tax for 1924. Anticipatory payments in respect of Real and Personal Property Tax for the calendar year 1925 are to be made only on February 15 and November 15, 1925, to the amounts respectively of one quarter of the annual amount of tax fixed in the notification for the calendar year 1924; § 15 paragraph 4 does not apply to these anticipatory payments.

§ 23.

The provision of § 8 paragraph 2 figures 1 and 2 applies to the assessment for the Real and Personal Property Tax for the calendar

of § 17 paragraph 1 concerning the proportions of tax falling upon a husband and wife assessed toegher applies mutatis mutandis to the determining of the proportions of tax falling upon the first heir's inheritance and the rest of his property respectively.

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§ 23.

The provision of § 8 paragraph 2 figures 1 and 2 applies to the assessment for the Real and Personal Property Tax for the calendar

year 1925, subject to the proviso that the income of the calendar year 1925 (or, in cases where the business year does not coincide with the calendar year, the business year ending within the calendar year 1925) is taken instead of the income for the last year. If at the time of assessment for the Real and Personal Property Tax the income specified in sentence 1 is not yet determined, it is sufficient if the taxpayer credibly represents that the income of the calendar year 1925 (or of the business year ending within the calendar year 1925) will probably not exceed the limits of income laid down in § 8 paragraph 2 figures 1 and 2.

§ 24.

§ 7 paragraph 3 does not apply to assessments for the Tax on Real and Personal Property for the calendar years 1925 and 1926.

§ 25.

The necessary regulations in execution of §§ 1 to 24 shall be issued by the Finance Minister of the Reich with the assent of the Reichsrat; he shall in particular decide under what conditions persons liable to the Tax on Real and Personal Property are required to make a Declaration in respect of such Tax.

§ 26.

The operation of the Property Increment Tax (Vermögenzuwachssteuer) is suspended until December 31, 1928.

ARTICLE II.

TAX ON SUCCESSIONS.

§ 1.

The Law concerning the Tax on Successions (Erbschaftsteuergesetz) is amended as follows:

1. In § 8 paragraphs I and II, the words "from German landed property or business capital" are replaced by the words "German agricultural, forest, and horticultural property, German business capital or German landed property".

2. In § 9 paragraph 1, the provisions governing Classes I and II to read as follows:

"CLASS I.

"1. The husband or wife,

"2. the children,

"3. persons having the same legal standing as legitimate children,

"4. children by a first marriage to whom the position of legitimate offspring is assured by agreement,

"5. adopted children,

"6. step-children,

"7. illegitimate children recognised by the father.

"The inheritance of the husband or wife is tax-free, if on the date of the commencement of liability to the Tax the following are living:

"a) persons of the category specified in paragraph 1 figures 2 to 5 above;

"b) issue of persons of the category specified in paragraph 1 figures 2 to 4 above, or

"c) issue of persons of the category specified in paragraph 1 figure 5 above, in so far as the provisions of the adoption extend to the issue of the same.

"Exemption from taxation is also allowed, where persons of the category specified in a) to c) above are no longer living at the time of the commencement of liability to the Tax, having either fallen in the war or died before December 31, 1922, as the result of a wound received in the field or injuries received during war service, and where the earnings of the husband or wife do not exceed one hundred thousand Reichsmarks, the provisions of § 21 paragraphs 4 and 5 apply mutatis mutandis.

"CLASS II.

"The issue of the persons specified in I paragraph 1 figures 2 to 7 and of adopted children (I paragraph 2 figure 5), but in the case of adopted children only if the provisions of the adoption extend to the issue of the same".

3. § 10 to read as follows:-

§ 10.

"(1) The Tax on Successions is levied as follows:-

On inheritances to the value of RM.	Percentages in Tax Class I.	Tax Class II.	Tax Class III.	Tax Class IV.	Tax Class V.
10 000	2	4	6	8	14
20 000	2.5	5	7.5	10	16
30 000	3	6	9	12	18
40 000	3.5	7	10.5	14	20
50 000	4	8	12	16	22
100 000	4.5	9	13.5	18	24
150 000	5	10	15	20	26
200 000	5.5	11	16.5	22	28
300 000	6	12	18	24	30
400 000	6.5	13	19.5	26	32
500 000	7	14	21	28	34
600 000	7.5	15	22.5	30	36
700 000	8	16	24	32	38
800 000	8.5	17	25.5	34	40
900 000	9	18	27	36	42
1 000 000	9.5	19	28.5	38	44
2 000 000	10	20	30	40	46
4 000 000	11	21	32	42	48
6 000 000	12	22	34	44	51
8 000 000	13	23	36	46	54
10 000 000	14	24	38	48	57
over 10 000 000	15	25	40	50	60

"(2) The difference between the tax arrived at by application of paragraph 1 and the tax which would be due if the inheritance had not exceeded the last limit of value, shall only be levied in so far as such difference can be covered

"a) at a tax rate of 30 per cent, by half,

"b) at a tax rate of between 30 and 50 per cent, by three-quarters,

"c) at a tax rate of over 50 per cent, by nine-tenths

of the amount of the inheritance exceeding the limit of value.

"(3) An inheritance within the meaning of paragraphs 1 and 2 is deemed, without prejudice to the provision of § 8 paragraph 3, to be any enrichment of the inheritor, save in so far as the amount whereby he is enriched is tax-free."

4. In § 17 paragraph 2 the number "70" is replaced by the number "60".

5. In § 18 :-

a) paragraph 1 is replaced by the following provisions:

"§ 18.

"Liability to the Tax commences,

"1. where the property is inherited upon the decease of the testator,

"with the death of the testator, save in the following cases:

"a) in the case of a condition attaching to the inheritance, which implies postponement or prescribes an interval, the liability commences when the condition becomes effective or the prescribed contingency arises;

"b) in the case of an inheritance being contingent on the performance of some duty, the liability commences when the duty is fulfilled;

"c) in the case of § 2 paragraph 2 figure 1, the liability commences with the approval of the articles of endowment;

"d) in the case of § 2 paragraph 2 figure 2, the liability commences with the accomplishment of the charge or the fulfilment of the condition;

"e) in the cases of § 2 paragraph 2 figure 3, the liability commences with the date of approval;

"f) in the cases of § 2 paragraph 2 figure 4, the liability commences with the date of waiving or rejection;

"g) in the case of § 2 paragraph 2 figure 5, the liability commences with the date of transference of the reversionary interest;

"h) in the case of inheritance by a second or subsequent heir, the liability commences when the title to the inheritance commences.

"2. where the property is donated in the lifetime of both parties to the transaction,

"with the date on which the donation becomes effective;

"3. where the property is bequeathed to a particular object or utility,

"with the date on which the obligation of the liable recipient becomes effective.

"In the case of postponement of the taxation under § 37, the liability to the Tax in respect of the inheritance of the property burdened with the usufruct is deemed to have commenced from the date of terminance of the usufruct.

"In cases coming under paragraph 1 figure 1 a, the Finanzamt (Revenue Office) may demand the cession of a part of the inherited property, as security for the payment of the Tax, before the liability to the Tax arises."

) The former paragraphs 2 to 8 to come after § 18 as § 18a paragraphs 1 to 7.

6. In § 21 paragraph 1.

a) in figure 1, the number "3000" is replaced by the number "5000";

b) figure 5 to read as follows:

"5. Objects of art and collections inherited by persons of tax classes I, II and III, if such objects of art are the work of German artists who are still living or were still living at some time within the last fifteen years, or if the purchase price

"a) did not exceed 10 000 marks for any particular object

"b) did not exceed 100 000 marks for any group or set of objects.

If the purchase was effected between January 1, 1919, and December 31, 1923, the common (market) value is taken in lieu of the purchase price. Should such objects of art be sold or transferred within ten years of the inheritance of the same, and should a particular object fetch more than 2 000 marks, or a group or set of objects more than 10 000 marks, the exemption from taxation ceases.

"Objects of art and collections, which form part of a business capital, are excluded from the exemption;"

c) in figure 6 the words "of tax clases I and II" are replaced by the words "of tax classes I, II and III":

d) in figure 10 the number "5 000" is replaced by the number "10 000":

e) the following provision to be inserted after § 19:

"20. Allocations to political parties and associations, where there is assurance that they will be devoted to political objects":

f) figure 20 becomes figure 21:

7. § 24 of the Law to read as follows:-

" § 24.

"Subscriptions to associations of persons, which have not for their sole object the furtherance of the interests of their members, are exempt from the Tax, if the subscriptions paid by a member in one calendar year do not exceed 500 Reichsmarks. Subscriptions to associations of persons, which pursue exclusively religious or charitable objects, or objects of public utility, as also subscriptions to political parties and associations, are governed by the provisions of § 21 paragraph 1 figures 18 to 20."

8. § 32 to read as follows:

" § 32.

"(1) The assessment of property is governed by the principles of the Assessment Law of the Reich (Reichsbewertungsgesetz) as follows:-

"1. § 26 paragraph 2 figure 3 and § 46 of the Assessment Law do not apply. Partners' rights in private companies (offene Handelsgesellschaften) and commandite companies are deemed to be business capital of the testator in accordance with § 80 paragraph 2 of the Reichsabgabenordnung (Fundamental Law on Taxation of the Reich); the same applies to assets, or part shares in assets, which belong to the testator and are utilised in the working of a company.

"2. Notwithstanding the provision of § 26 paragraph 1 sentence 3, objects of the kind therein specified are to be counted as belonging to the business capital, without regard to the total value.

"3. § 38 paragraph 1 figure 1 sentences 2 and 3 do not apply.

"4. Notwithstanding the provisions of § 38 paragraph 1 figures 5, 6a), 8 and 9 and paragraph 2, the objects therein specified are regarded as "other property", without regard

to the duration of the rights, value or amount.

"5. Notwithstanding the provision of § 38 paragraph 1 figure 10, objects of art and collections are regarded as "other property", without regard to the date of purchase, value or origin.

"6. Notwithstanding the provisions of § 39 figures 3,5,6,9 and 10, and § 26 paragraph 4, the objects therein specified are regarded as "other property", unless they form part of agricultural, forest or horticultural property, or business capital, or landed property, and are classified as such.

"7. Notwithstanding the provisions of § 40 paragraph 2, there will be no assessment of taxable market values for the securities, participatory rights and Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) specified in § 40 paragraph 1.

"8. Notwithstanding the provision of § 43, assets of the nature therein specified shall be assessed at the market or selling value.

"9. Notwithstanding the provisions of § 47 paragraph 1 figure 3, quarter ly deductions shall not be allowable. Where salaries, wages and other emoluments paid to the testator in advance of the date of assessment are subsequently debited, together with claims of the inheritors to annuities, the amount so debited is to be subtracted from the inheritance.

"10. Notwithstanding the provisions of § 48, the property shall not be reckoned as a whole.

"(2) The assessment of agricultural, forest and horticultural property, as also of landed property, shall be based in accordance with the provisions of the Assessment Law on the unit-value determined for the date of assessment immediately preceding the date on which liability to the Tax commenced. If during the period between the date of assessment and the date on which liability to the Tax commenced the value of an economic unit, as ascertained under the provisions of the Assessment Law, has varied in consequence of exceptional circumstances by more than one-tenth or by more than twenty thousand Reichsmarks, the value shall be determined in accordance with the position obtaining at the date on which liability to the Tax commenced, the principles of the Assessment Law being applies mutatis mutandis: so long as the general determining of the unit-values in accordance with § 5 paragraph 2 of the Assessment Law is effected at intervals of one year, variations in the value, which are due to general changes in the economic conditions, are not taken into account. If a part only of an economic unit is assessed, its value is deemed to be that portion of the unit-value which represents the economic importance of the part in relation to the whole of the unit. Assessments in accordance with sentences 2 and 3 above are effected through the Land Values Committee, the Higher Assessment Committee and the Reichsfinanzhof (Supreme Financial Court of

the Reich), the principles of the Assessment Law being applied mutatis mutandis.

"(3) The Finance Minister of the Reich shall issue specific regulations with the assent of the Reichsrat."

9. §§ 40 and 41 of the Law to read as follows:

" § 40.

"(1) If immediate collection of the Tax in respect of the inheritance of German agricultural, forest or horticultural property, or German landed property, or German land-sites forming part of a business capital, involves considerable hardship to the taxpayer, he shall be accorded upon his request the right to make payment by yearly instalments, which are not to exceed ten in number, provided that the claim to payment of the Tax is not jeopardised by the granting of such respite. Permission to pay by instalments shall be withdrawn, if the conditions on which the respite of payment was accorded cease to be present.

"(2) Respite of payment is in the ordinary course to be granted only on provision of security and against payment of interest. The registration of a security mortgage on the site is sufficient security, if no rights other than those existing at the date of devolution of the title have priority over such mortgage; if more than one site is inherited, the security mortgage may be restricted to a part only of such properties, provided that the claim to payment of the Tax is not jeopardised thereby. Where it is permissible to mortgage a property in such a way that the only method of foreclosure is distraint, mortgage in this form is sufficient.

"(3) For the according of respite of payment for a period exceeding one year the assent of the Landesfinanzamt (Provincial Revenue Office) is required.

" § 41.

"(1) Where the conditions of § 40 paragraph 1 are present, the taxpayer shall be allowed upon his request to distribute his liability to the tax over a period not exceeding twenty years by means of annual tax redemption payments (Tilgungsrenten), and to charge the sites with a land debt for the purpose. The second half of the second sentence of § 40 paragraph 2 applies mutatis mutandis.

"(2) The tax redemption payments shall be calculated in such a way that the amount of the tax will be paid off within the agreed period at 8 per cent. The amount of the tax plus the interest at 8 per cent is to be registered as the capital of the land debt with a

note that payment is being effected by means of the tax redemption payments over the agreed period. The Finance Minister of the Reich is empowered to reduce the rate of interest to correspond with changes in the economic system.

"(3) If the value of the property is calculated in terms of usufructs or services, the tax redemption payments are to be spread over the number of years corresponding to the multiple taken in capitalising the value of the annual usufruct or service for the purpose of calculating the tax.

"(4) These provisions do not apply, where rights other than those existing at the date of commencement of the liability to the tax have priority over the land debt.

"(5) The assent of the Landesfinanzamt (Provincial Revenue Office) is necessary for the according of the right to make tax redemption payments".

§ 2.

The Finance Minister of the Reich is empowered to redraft the tax of the Law on the Tax on successions as amended in the present Law in conformity with the changes arising in consequence of the application of the principles of the Assessment Law, and to publish the text as redrafted with consecutively numbered paragraphs in the Reichsgesetzblatt, and to adapt the executive regulations to the redrafted text.

§ 3.

(1) The Law on the Tax on Successions as amended applies to inheritances, in respect of which liability to the Tax commences after December 31, 1924. The commencement of the liability to the Tax is governed by the principles of § 18 even though the testator has died before January 1, 1925, unless the inheritance has already been subjected to taxation in accordance with the provisions hitherto prevailing. Sentences 1 and 2 apply to allocations and subscriptions to political parties and associations (§ 21 paragraph 1 figure 20 and § 24 sentence 2), subject to the proviso that the date December 31,1924 is replaced by the date December 31, 1923, and that the date January 1, 1925 is replaced by the date January 1, 1924.

(2) Where the Tax on Successions of the Reich is leviable under paragraph 1 in respect of inheritances on which, under the provisions hitherto prevailing, a Tax on Successions of a Federal State would have been leviable, the Tax on Successions of the Reich shall be levied for account of such Federal State.

(3) The Finance Minister of the Reich shall issue detailed regulations for the period of transition with the assent of the Reichsrat.

Berlin, August 10, 1925.

The President of the Reich

VON HINDENBURG.

The Finance Minister of the Reich

VON SCHLIEBEN.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

CORPORATION TAX LAW

(KÖRPERSCHAFTSSTEUERGESETZ)

OF AUGUST 10, 1925.

(Reichsgesetzblatt I No.39 of August 15,1925 page 208)

The Reichstag has voted the following Law, which is hereby promulgated with the assent of the Reichsrat:

§ 1.

A Corporation Tax (Körperschaftsteuer) shall be levied upon the income of corporations and upon income accruing to collective property in accordance with the provisions of the present Law.

I. LIABILITY TO THE TAX.

§ 2.

The following are liable to the Tax for the total amount of their income, provided that their registered office or place of management is situate in Germany (unrestricted liability to pay Corporation Tax):

1. trading Companies (§ 4);
2. any and every other Corporation or collective property

(§ 5) established under Civil Law;

3. concerns and services of Corporations established under Public Law and public concerns and services enjoying legal standing, unless such concerns and services are for one or other of the objects specified in § 7, viz.

a) the exercise of public authority,

b) the supply of the population with necessaries, for which the population is dependent upon the said concerns and services (Public supply undertakings - Versorgungsbetriebe),

c) charitable objects or objects of public utility,

d) religious objects.

Undertakings, the yield of which goes exclusively to corporations established under Public Law, shall rank for this purpose as being on the same footing as the concerns and services specified in sentence 1 above.

§ 3.

(1) The following are part-liable to the Corporation Tax in respect of particular kinds of income (restricted liability to pay Corporation Tax):

1. in respect of income derived from German sources (German income),

all corporations, collective property, concerns and services of the nature specified in § 2, if their registered office or place of management is situate abroad;

2. in respect of income from German capital within the meaning of § 3 paragraph 2 figures 7 to 9 of the Income Tax Law,

all corporations and collective property established under Public or Civil Law without regard to where the registered office and place of management is situate.

(2) What categories of income are liable to the Tax as German income within the meaning of paragraph 1 figure 1, is determined in accordance with § 3 paragraph 2 of the Income Tax Law.

In the case of mutual insurance companies, which have their registered office or place of management abroad and which only insure their members, the following only are liable to the Tax (notwithstanding the provision of paragraph 1 figure 2) viz. (a) income of the kind specified in § 3 paragraph 2 figures 1 and 3 of the Income Tax Law and (b) income from German capital assets. German capital assets are here taken to mean that proportion of the total capital assets, which corresponds to the proportion which the insurances taken out in Germany bear to the total insurances of the company; if in any particular branch of insurance there is no total of insurances by reference to which the proportion can be established, it shall be calculated on the yearly income on policies instead of on the insured amounts.

(3) The liability to the Tax according to paragraph 1 figure 2 in respect of income from German capital within the meaning of § 3 paragraph 2 figure 7 of the Income Tax Law, does not apply to the Reich, the States and the Communes, if the income from capital accrues from participation in an undertaking, more than a quarter of whose shares are in the hands of the Reich, the Federal State, or the Commune.

§ 4.

(1) The following are deemed to be trading companies (§ 2 figure 1), without regard to the manner in which they are conducted: joint stock companies, joint stock commandite companies, colonial companies, mining associations endowed with legal personality and mining partnerships not endowed with legal personality, limited liability companies and co-operatives, and all other associations of persons founded for business purposes, whose main object is the attainment of economic advantage for themselves or their members.

(2) The following are deemed not to be trading companies:

(a) mutual insurance companies which only undertake the insurance of their members;

(b) cooperative societies forming part of a central controlling association, whose business activities are confined to their own members; the Finance Minister of the Reich can direct that other associations of persons, which are similar to such cooperatives in respect of their economic activities, shall rank on the same footing with them;

c) registered cooperatives, limited liability companies and joint stock companies, acting primarily as the central organisations of cooperatives, whose associates (or shareholders) are exclusively or for the main part cooperative societies of the kind specified under b), and whose business activities are mainly confined to the said associated societies and the individual members of the same.

(3) Institutions, and endowments, and other estate assigned to promote some particular object or utility under Civil Law, rank as trading companies, when they are conducted as business undertakings and, besides the administration of the property, are primarily engaged in the attainment of economic advantage for themselves or for the persons specified in their statutes, articles of endowment, or other document of constitution.

§ 5.

The other corporations and collective property specified in § 2 figure 2 include juridical persons, associations of persons not established on a legal basis, institutions and endowments, and estate assigned to promote some particular object or utility, provided they are neither trading companies nor rank as such under § 4.

§ 6.

In the case of associations of persons, institutions and endowments and other estate assigned to promote some particular object or utility (§§ 4 and 5) there is liability to the Tax according to §§ 2 and 3 only if no other tax-payer is directly liable in respect of their income under the terms of the present Law or the Income Tax Law.

§ 7.

(1) The following are deemed to be public supply undertakings within the meaning of § 2 figure 3b: concerns or undertakings engaged in the work of supplying the population with water, gas, or electricity, or in public transport or harbour services. They shall however only be treated as public supply undertakings in so far as they are actually engaged in these activities. The Finance

Minister of the Reich may, with the assent of the Reichsrat, declare other concerns and undertakings to be public supply undertakings within the meaning of § 2 figure 3 b.

(2) The Finance Minister of the Reich, with the assent of the Reichsrat, shall issue detailed regulations for the exact determining of the various categories of concerns and services which are liable to the Tax according to § 2 figure 3.

§ 8

Where a foreign State taxes the income of a trading company, which has its registered office or place of management in Germany, more heavily than the income of companies which have their registered offices and places of management within the territory of that State, or in a country to which that State accords most-favoured-nation treatment, the Finance Minister of the Reich is empowered, with the assent of the Reichsrat, to impose higher taxation on the German income of trading companies which have their registered office and place of management within the territory of the foreign State.

§ 9.

(1) The following are exempt from Corporation Tax:

1. the Postal Service of the Reich, the Monopoly Administrations of the Reich, the State Lotteries and the Railway Company;

2. the Reichsbank, the Rentenbank, the Golddiskontbank, and the Bank für deutsche Industrie-Obligationen (Bank for German Industrial Debentures);

3. State banks expressly founded for the primary object of doing business of utility to the State or of public utility;

4. Public Savings Offices, or Savings Offices serving the public, which confine their activities to the work of Savings Banks proper. The Finance Minister of the Reich, with the assent of the Reichsrat, shall define what is to be regarded as the work of a Savings Bank proper within the meaning of this provision;

5. mutual insurance institutions established under Public Law which only undertake the insurance of their own members;

6. wood and forest cooperatives, Hauberg cooperatives (wood and forest cooperatives in a part of Westphalia), wood and meadow cooperatives (Laubgenossenschaften), and similar communities connected with the land, in so far as they have no other business activity exceeding the limits of a subsidiary occupation;

7. corporations and collective property, which, according to the terms of their statutes, articles of endowment, or other document of constitution, are exclusively devoted to religious or charitable objects or objects of public utility. The Finance Minister of the Reich shall issue detailed regulations, with the assent of the Reichsrat, determining the conditions under which an association of persons, or estate assigned to promote some particular object or utility, or an object, is to be regarded as charitable or of public utility within the meaning of this provision;

8. professional associations without Public Law status, which are not in aim business undertakings.

9. limited liability companies and joint-stock companies, the chief object of which is the administration of property for a professional association not enjoying legal status of the category mentioned in figure 8, in so far as their income is mainly derived from the administration of the property, and goes exclusively to the association.

10. Pensions Funds, Widows Funds, Orphans Funds, Burial Funds, Health Insurance Funds, Relief Funds and other institutions for aid in the event of indigence or unemployment, endowed with legal personality; the same applies to institutions of this kind not endowed with legal personality, when the permanent utilisation of the income for the objects for which the institutions were founded (or, in the event of the liquidation of the institution, the utilisation of the capital for similar objects) is assured;

11. corporations and collective property, if they are entitled to claim exemption from personal taxes in virtue of general principles of International Law, or of special agreements concluded with other States, provided always that the principle of reciprocal treatment is observed.

(2) The exemptions under paragraph 1 figures 1 and 3 to 11 do not apply in the case of restricted liability to the Tax in accordance with § 3 paragraph 1 figure 2; but this provision is without prejudice to the provision contained in § 14 of the Law on the German Railway Company (Reichsbahngesetz) of August 30, 1924 (Reichsgesetzblatt II page 272). The exemptions under paragraph 1 figures 3 to 10 further do not apply, where the registered office or place of management of the concern is situate abroad.

II. INCOME AND CATEGORIES OF INCOME.

§ 10

(1) What income is liable to taxation under the present Law, what income is assessed for taxation, and what is taken to be income, is determined in accordance with §§ 6 to 8 and § 11 of the Income Tax Law, and §§ 11 and 12 of the present Law. The liability of income to taxation remains irrespective of whether the income is distributed among the shareholders, associates, members or persons specified in the statutes, articles of endowment, or other document of constitution, or not.

(2) The minimum taxable amount of income shall be the total amount of all the remuneration of every kind accorded to members of the Board of Control (Aufsichtsrat) of a concern for the taxable period (§ 17 figures 4). To such minimum taxable amount may be added

a) the total amount of profits distributed for the taxable period, where they are not derived from real or personal property, which has been formed within the last three years and has been liable to the Tax during that period; this provision is without prejudice to the provisions of § 11;

b) the total amount of the Directors' fees (Tantiemen), indemnities and remuneration granted to members of the Governing Body (Vorstand) and employees holding important positions for the taxable period over and above what they were entitled to receive under their contracts.

The Finance Minister of the Reich, with the assent of the Reichsrat, shall issue detailed regulations as to what profits and remuneration shall be assessed or may be assessed, for taxation in accordance with Sentence 1 above, in the case of concerns

liable to the Tax, which have their registered office and place of management abroad.

§ 11.

Besides the source of income specified in § 8 of the Income Tax Law, the following also are not included in assessable income where the liability to the Tax is unrestricted;

1. in the case of the concerns and services specified in § 2 figure 3,

   income from land and forests and income from capital assets (§ 6 paragraph 1 Nos.1 and 6 of the Income Tax Law), with the exception of the income from capital specified in § 83 of the Income Tax Law, together with such income as is derived from the lease of real property (§ 38 paragraph 1 figure 1 of the Income Tax Law) and agricultural plant, as also from the assignment for a fixed period of time of rights in respect of property, rents and hunting shooting and fishing rights;

2. in the case of Public Savings Offices, or savings offices serving the public, which do not come under § 9 figure 4, as also in the case of savings funds of the cooperatives and of the central organisations of the same (§ 4 paragraph 2 c),

   that portion of the income which is derived from savings bank business proper, with the exception of the income from capital specified in § 83 of the Income Tax Law;

3. in the case of trading companies (§ 4 paragraphs 1 and 3) and concerns and services within the meaning of § 2 figure 3, which can be shown to have participated in the original capital in a proportion of at least one quarter (or, if there is no original capital, in the real or personal property of the concern) in virtue of shares, mining shares (Kuxe), participatory rights, or Genussscheine (warrants entitling the holder to compensation for present loss out of future profits), held by them in other trading companies since the beginning of the taxable period,

   profits of every kind connected with such holdings;

4. in the case of those concerns liable to the Tax, which are enumerated in § 4 paragraph 2a, b, and c,

   income of the kind specified in § 6 paragraph 1, figures 2, 3, 4, 7 and 8 of the Income Tax Law;

5. in the case of political parties and associations,

   income of the kind specified in § 6 paragraph 1 figures 3, 4, 5, 7 and 8 of the Income Tax Law, with the exception of income from capital within the meaning of § 83 of the Income Tax Law;

6. in the case of associations of persons,

   the members' subscriptions.

§ 12

(1) The taxable period is

a) in the case of concerns liable to the Tax, which are obliged under the provisions of the Commercial Code (Handelsgesetzbuch) to keep trade books, or which keep such books in accordance with the said provisions although under no obligation to do so, the business year ending on the date on which the books are finally made up for the year.

b) in the case of concerns liable to the Tax, which do not come under a), and derive income from agricultural and forestry undertakings (§ 6 paragraph 1 figure 1 of the Income Tax Law), the business year running from July 1 to June 30; § 10 paragraph 3a of the Income Tax Law applies here,

c) in the case of other concerns liable to the Tax, the calendar year

(2) The business year, which constitutes the taxable period according to paragraph 1a and b, must be the same for the whole income, and the income must be shown in uniform manner in the case of each concern liable to taxation.

(3) If there has not been liability to the Tax during the whole period of the calendar or business year, the taxable period is correspondingly shortened. The same applies to the transition from restricted to unrestricted liability and vice versa, unless the transition falls at the same time as the close of the regular taxable period.

(4) If twelve months after the commencement of liability, or after the close of the last taxable period, the concern liable to the tax has not already made up its books for a new business year, the Finanzamt (Revenue Office) may declare the twelve months in question to be the taxable period, irrespective of the close of the business year.

§ 13.

The procedure for ascertaining income, the basis of taxation, and the date of assessment, as also the determining of the particular categories of income, are governed by the provisions of the Income Tax Law (§§ 12 to 17, §§ 19 to 21, § 25 and §§ 26 to 48) save in so far as otherwise provided in §§ 14 to 19 of the present Law.

§ 14.

Extraordinary outgoings, which may be deducted from the income are, besides those enumerated in § 17 of the Income Tax Law, the following:

1. sums devoted, in accordance with the terms of the statutes, articles of endowment, or other document of constitution of a concern, exclusively to charitable objects or objects of public utility;

2. allocations to Social and Relief Funds, and Pensions Funds of a concern, where the permanent utilisation of such sums for the objects of the fund is assured;

3. remuneration of every kind paid on the occasion of the yearly closing of accounts, either to members of the Governing Body of a concern, who are not exclusively engaged in its control or management, or to employees and workmen in recognition of their services, if the remuneration in question is not already entitled to be deducted from the income as Werbungskosten (expenditure incurred for the acquisition, securing and maintenance of income: see § 16 of the Income Tax Law).

§ 15.

Besides Werbungskosten, extraordinary outgoings (§ 14) and the interest on debts, annuities and charges referred to in § 15 paragraph 1 figure 3 of the Income Tax Law, the following may be deducted when assessing the income:

1. the tax levied in accordance with § 10 paragraph 1 of the Law concerning the Tax on Real Estate Transactions (Grunderwerbsteuergesetz) of September 12, 1919 (Reichsgesetzblatt page 1617) including sur-taxes or the corresponding yearly reserve set aside therefor;

2. in the case of churches and religious corporations and institutions in Germany, and other German corporations and collective property serving exclusively religious objects (§ 9 paragraph 1 figure 7),

   income from capital within the meaning of § 3 paragraph 2 figure 9 of the Income Tax Law, which is devoted to Old Age Pensions, Sick Relief, and Assistance to Widows and Orphans;

3. in the case of trading companies (§ 4 paragraphs 1 and 3) and concerns or services within the meaning of § 2 figure 3,

   expenditure to cover a deficit (Unterbilanz) incurred during a previous taxable period which involves encroachment on the original or founders' capital, or (if there is no original or founders' capital) on the total amount of capital invested in the concern, or on the total amount of the cost of production or purchase price of the objects or assets forming part of the working capital (§ 19 paragraph 2 of the Income Tax Law). The question whether such a deficit exists, and the extent of the same, shall be determined in accordance with the provisions governing the assessment of the income (§§ 13 to 17 of the present Law and §§ 12 to 17 and §§ 19 to 21 of the Income Tax Law);

4. in the case of trading companies (§ 4 paragraphs 1 and 3),

   the cost of the issue of shares and other participatory rights of the company, in so far as it is not covered by the commission charges;

5. in the case of the concerns liable to the Tax, which are enumerated in § 4 paragraph 2 a, b, and c.

   sums derived from income from agricultural and forestry undertakings, capital assets, or the lease or assignment of real estate, including all material property appertaining thereto, and rights, where the said sums are employed

to cover losses on exploitation incurred during the taxable period;

6. in the case of insurance companies, with the exception of mutual insurance companies, which only insure their own members,

necessary appropriations to the capital cover required for payments on policies;

7. in the case of mutual insurance companies, which only insure their members (§ 4 paragraph 2 a),

amounts derived from agricultural or forestry undertakings, capital assets, the lease of real estate, including all material property appertaining thereto, and rights, where they go to swell reserves, which are constituted according to the statutes for the purpose of covering the liabilities of the concern in relation to its members;

8. in the case of joint stock commandite companies,

that part of the profits which goes to personally liable members, in respect of their invested capital, other than original capital, or as fees (Tantiemen).

§ 16.

The provision of § 15 paragraph 2 of the Income Tax Law applies on the understanding that the extraordinary outgoings and appropriations specified in §§ 14 and 15 of the present Law may be deducted from the income, even in the case of restricted liability to the Tax under § 3 paragraph 1 figure 1, in so far as they are in economic connection with the German property of the concern, or with the factory or place of business of the concern situate in Germany, or with its German income. In the case of restricted liability to the Tax according to § 3 paragraph 1 figure 2, no deduction of the outgoings specified in § 15 paragraph 1 of the Income Tax Law or of the outgoings and appropriations enumerated in §§ 14 and 15 of the present Law

(with the exception of those specified in § 15 figure 2 of the same) is allowable.

§ 17

When assessing income, the following may not be deducted:

1. Expenditure for improving and increasing the property of the concern or for founding fresh businesses or extending existing businesses, investments of capital, redemption of debt or renewals of plant, in so far as such expenditure exceeds the limits laid down in §§ 15 and 16 of the Income Tax Law, or § 15 figure 4 of the present Law;

2. Expenditure for purposes laid down in the articles of endowment, statutes, or other document of constitution of the concern, even where such expenditure comes under the head of the annuities and recurring charges enumerated in § 15 paragraph 1 figure 3 of the Income Tax Law.

3. Corporation Tax and other personal taxes paid by the concern and reserves set aside therefor;

4. remuneration of every kind paid by trading companies to persons duly appointed under the terms of the articles of constitution (members of Boards of Control, the Pit Managements, Trade Union Councils, Managing Boards and the like), even where such payments come under the head of Werbungskosten (§ 16 of the Income Tax Law). The Finance Minister of the Reich decides, with the assent of the Reichsrat, what payments are to be regarded as remuneration within the meaning of this provision.

§ 18.

(1) In the case of the liquidation of a trading company (§ 4 paragraphs 1 and 3) or of a concern or service within the meaning of § 2 figure 3, the profits of the last taxable period are taken to be the amount whereby the property to be distributed exceeds the value of the property taken as a basis at the end of the previous taxable period for the

assessment of Corporation Tax; from this must be subtracted (a) tax-free accessions to the property of the liable concern during the preceding taxable period, and added (b) the profits of the preceding taxable period, in so far as such profits no longer form part of the property to be distributed. If no particular value was taken as the basis of the last assessment, the amount of paid up original or founders' capital is taken instead, or (if there is no original or founders' capital) the total amount of capital invested in the concern or the total amount of the cost of production or purchase price (§ 19 paragraph 2 of the Income Tax Law). For the rest, the assessment of profits is governed by the provisions of §§ 13 to 17 of the present Law, and §§ 12 to 17 and §§ 19 to 21 of the Income Tax Law.

(2) The provision of paragraph 1 above applies mutatis mutandis to cases where the property of a trading company or concern or service within the meaning of § 2 figure 3 changes hands, with or without liquidation; in such cases the value (at the date of transference of the property) of the payment or service effected in return for the transfer is taken in lieu of the value of the property to be distributed, for the purpose of assessing profits.

(3) The provision of paragraph 2 does not apply, if the property of a trading company or a concern or service within the meaning of § 2 figure 3 is transferred in toto, with or without liquidation, to another German trading company or to a corporation under Public Law. The provisions of §§ 30 to 32 of the Income Tax Law also do not apply in such cases.

§ 19

(1) If a trading company, which has hitherto been unrestrictedly liable to the Tax (§ 4 paragraphs 1 and 3), ceases to be liable to German taxation, or becomes restrictedly liable only, by reason of removal of its registered office and place of management, or one of the two, to a foreign country § 18 paragraph 1 is applicable as the sense indicates. The common (market) value of the property is then taken for purposes of assessment in lieu of the value of the property to be distributed. The Tax (save in so far as it is leviable

on the profits of the last preceding business year) is remitted to the extent of an amount corresponding to the proportion between the part of the property remaining in Germany and the total property.

(2) The provision of paragraph 1 above applies mutatis mutandis, if the factory or place of business in Germany of a trading company, whose registered office and place of management are situate abroad, are transferred to a foreign country, or if the property in toto is transferred to another party.

(3) The provisions of paragraphs 1 and 2 above apply mutatis mutandis to concerns and services within the meaning of § 2 figure 3.

III. RATES OF ASSESSMENT.

§ 20

For the purpose of assessing the Corporation Law, income shall be rounded off to the nearest ten Reichsmarks below the actual figure.

§ 21

The Corporation Tax amounts.

1. in the case of ~~the~~ trading companies (§ 4 paragraphs 1 and 3) and concerns and services within the meaning of § 2 figure 3, with the exception of the concerns enumerated under figures 2 and 3 c and d below,

   to 20 per cent of the income;

2. in the case of limited liability companies and co-operative societies not coming under § 4 paragraph 2, where the registered office and place of management are situate in Germany and neither the original capital (or the total amount of the invested capital) not the value of the property determined at the last assessment exceeds the amount of 50 000 Reichsmarks.

   for the first 8 000 Reichsmarks of the income or part of such sum, to 10 per cent;

for the next additional 4 000 Reichsmarks
of the income or part of such sum,
to 12½ per cent;

for the next additional 4 000 Reichsmarks
of the income or part of such sum,
to 15 per cent;

for the next additional 4 000 Reichsmarks
of the income or part of such sum
to 20 per cent;

for the next additional 8 000 Reichsmarks
of the income or part of such sum,
to 25 per cent;

for any further amounts,

to 30 per cent, subject to the condition
that the tax shall not amount to more
than 20 per cent of the total income;

and in the case of all other limited companies, and co-operative societies not coming under § 4 paragraph 2,

to 20 per cent of the income.

Original capital within the meaning of this provision is taken to include the payments and services enumerated in § 6 of the Law relating to the Tax on Movement of Capital (Kapitalverkehrsteuergesetz) of April 8, 1922 (Reichsgesetzblatt 1 page 354) under a and b, and the loans and claims specified in § 6 of the said Law under c;

a) in the case of the concerns liable to the Tax specified in § 2 figure 2 and § 4 paragraph 2;

b) and in the case of the concerns liable to the Tax specified in § 3 paragraph 1 figure 2, which are not trading companies (§ 4 paragraphs 1 and 3) or concerns or services within the meaning of § 2 figure 3;

c) and in the case of private Banks of Issue, pure mortgage Banks subject to State supervision in accordance with the Law relating to Mortgage Banks (Hypothekenbankgesetz) of July 13,1899 (Reichsgesetzblatt page 375), and Banks subject to State supervision which handle shipping mortgages and are legally entitled to issue bottomry bonds, further in the case of

mortgage Banks which do business beyond the limits laid down in § 5 of the Law relating to Mortgage Banks (mixed mortgage Banks), in respect of income derived from business specified in § 5 of the said Law; and

d) in the case of restrictedly liable cooperative societies (§ 4 paragraphs 1 and 3) and concerns and services within the meaning of § 2 figure 3, in respect of income of the nature specified in § 3 paragraph 2 figures 4 to 11 of the Income Tax Law, in so far as such income is not derived from an agricultural or forestry concern in Germany or a trading concern in Germany, to 10 per cent of the income.

IV PROCEDURE.

§ 22

§§ 61 to 67 of the Income Tax Law apply mutatis mutandis. The obligation to make a declaration of income (§ 61 paragraph 1 of the Income Tax Law) may be extended to the obligation to make a declaration of the amounts of the shares in dividends, remuneration, Directors' fees (Tantiemen) indemnities and emoluments enumerated in § 10 paragraph 2.

§ 23

If the liability to the Tax commences afresh, or expires, or if restricted liability is replaced by unrestricted liability or vice versa, the concern liable to the Tax must immediately inform the Finanzamt (Revenue Office) of the changed conditions, in accordance with executive regulations to be issued by the Finance Minister of the Reich.

V. PAYMENT OF THE TAX.

§ 24

The provisions of the Income Tax Law in regard to deduction

of the amount of the tax from the income from capital, to the assessment of the income subject to the deduction of the Tax, and to anticipatory payments and final payment (§ 68 and §§ 83 to 103) apply as the sense requires, save in so far as otherwise provided in §§ 25 to 28.

§ 25.

In addition to the case covered by § 84 of the Income Tax Law, there is no deduction of tax in the case of income from capital accruing to a trading company which is unrestrictedly liable to the tax (§ 4 paragraphs 1 and 3), or to a concern or service within the meaning of § 2 figure 3 from shares, mining shares (Kuxe), participatory rights, or Genussscheine (warrants entitling the holder to compensation for present loss out of future profits) of another trading company, if the first-named trading company, concern or service has participated in the original or founders' capital of the last-named trading company to the amount of at least one quarter since the beginning of the taxable period.

§ 26.

(1) If the income of a concern liable to the Tax, which is not a trading company (§ 4 paragraphs 1 and 3) or a concern or service within the meaning of § 2 figure 3, is either (a) derived exclusively from sources, in respect of which the tax is liable to be deducted from the income from capital, and not from any agricultural or forestry undertaking or trading concern, or (b) derived partly from such sources and partly from other sources to an amount not exceeding 500 Reichsmarks, there is no assessment, whatever the amount of the income. Where the income from the other sources exceeds 500 Reichsmarks, it only shall be assessed.

(2) If in the case of restricted liability to the Tax the income of a trading company (§ 4 paragraphs 1 and 3) or of a concern or service within the meaning of § 2 figure 3 is derived exclusively from sources in respect of which the tax is liable to be deducted from the income from capital, and not from any agricultural or forestry concern or trading concern in Germany, or is derived partly from such sources and partly from other sources, the provisions of paragraph 1 apply mutatis mutandis.

§ 27.

In cases in which income from capital within the meaning of § 3 paragraph 2 figure 9 of the Income Tax Law may be deducted when assessing income (§ 15 figure 2), the amounts of tax retained out of such income from capital are not subject to rebate, if they do not exceed ten Reichsmarks a quarter.

§ 28.

The provision relating to the furnishing of security in respect of the final payment of tax (§ 103 paragraph 1 of the Income Tax Law) only applies when liability to the Tax ceases, as a result of the removal of the registered office or place of management of a trading company which is liable to an unrestricted extent (§ 4 paragraphs 1 and 3), or of the transference of the factory or place of business of a trading company which is restrictedly liable only (§ 4 paragraphs 1 and 3) from Germany to a foreign country.

VI. TRANSITIONAL AND CONCLUDING PROVISIONS.

§ 29.

The provisions of §§ 104 to 110 of the Income Tax Law apply as the sense requires to the first assessment in virtue of the present Law. The provision of § 108 paragraph 2 sub-paragraph 1 does not however apply in cases where the property of trading companies has been assessed for the Tax on Real and Personal Property (Vermögensteuer) for 1925 at the sum of the taxable market values, nor does it apply to participations in a German trading company, in so far as the value of the participation has not been included upon assessment for the Tax on Real and Personal Property in accordance with § 27 of the Assessment Law of the Reich (Reichsbewertungsgesetz).

§ 30.

(1) The provisions of §§ 111, 114 and 115 of the Income Tax Law apply mutatis mutandis.

(2) Where in the case of § 5 paragraph 2 of the Decree

relating to Gold Balance Sheets (Verordnung über Goldbilanzen) of December 28, 1923 (Reichsgesetzblatt I page 1253) a capital depreciation account is included in the balance sheet, the amounts assigned to redemption of such account may not be deducted when assessing income according to the present Law; § 15 figure 3 does not apply in such a case.

§ 31.

The provisions in execution of the present Law are issued by the Finance Minister of the Reich with the assent of the Reichsrat.

§ 32.

(1) The provision of § 2 figure 3 applies to the case of concerns and services which were not already liable to the Tax under the Corporation Tax Law of March 30, 1920 (Reichsgesetz page 393) as amended by the Law of April 8, 1922 (Reichsgesetzblatt I page 351), for the first time for the first business year following the coming into force of the present Law. For the rest, the Law applies for the first time to the assessments for the calendar year 1925, or for the business years ending within the calendar year 1925.

(2) §§ 63 to 67 of the Law on the Tax on Movement of Capital (Kapitalverkehrsteuergesetz) cease to have effect as from January 1, 1925. In so far as remuneration of the nature specified in §§ 63 and 64 of the Law on the Tax on Movement of Capital is accorded in respect of a business year ending before January 1, 1925, the Tax on Directors' Fees (Aufsichtsratsteuer) shall be levied in accordance with the provisions of the Law on the Tax on Movement of Capital; the same applies to remuneration accorded for a business year ending in 1925, in respect of which no assessment for Corporation Tax is effected.

Berlin, August 10, 1925.

The President of the Reich

von HINDENBURG.

The Finance Minister of the Reich

von SCHLIEBEN.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

THE ACTION OF THE GERMAN GOVERNMENT TO LOWER PRICES.

On August 26, 1925, the German Government took action with a view to the reduction of prices. This action took the form of four "Resolutions" to the following effect.

1. The Government to make rigorous use of all the powers at its disposal under the Decree of November 2, 1923, to contend against the abuse of their power by cartels; and to have recourse, if necessary, to the legislature to strengthen the provisions of the Decree.

2. The Reich to place itself in touch with the States and Communes with a view to restoring free competition in the placing of public orders.

3. The system of Geschäftsaufsicht (official "supervision" of firms which would otherwise have to go into bankruptcy) to be abolished.

4. The public funds to be administered in such a way as to provoke a reduction in the private rates for money.

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There is much scepticism as to the probable efficacy of these measures. In any case, the anticipated decrease in prices has not yet occurred.

It is generally agreed that the price level will not be appreciably affected either by the restoration of free competition in the placing of orders by the Reich, States and Communes, or by the abolition of the Geschäftsaufsicht system.

The other two points in the Government's resolutions require further consideration.

The action against the Cartels. This is not the first time that the German Government has promised to make a vigorous attack upon the abuses of the cartels. The Decree of November 2, 1923, was, for instance, inspired by similar intentions. It will be recollected that under this Decree supervision of the cartels was entrusted to the Minister for Economic Affairs and to a Kartelgericht (Cartel Tribunal) which was attached to the Reichswirtschaftsgericht (Reich Economic Tribunal) and consisted of a president, who acted as judge, and four assessors designated by the Reichswirtschaftsgericht.

Under the Decree of November 2, 1923, if a contract concluded by a cartel "is injurious to the general interests of the country", the Minister for Economic Affairs is empowered to take proceedings in the Kartelgericht for the cancellation of such contract, or to

request the Kartelgericht to authorise the parties to the contract to denounce it forthwith. Apart from such action by the Minister for Economic Affairs, any member of a cartel is empowered to cancel any contract he may have entered into, provided that he is able to adduce an "important reason" therefor. An important reason is considered to consist in "any unfair restriction upon freedom of action in business matters".

The most striking characteristic of the Decree of November 2, 1923, is the vagueness of its wording. This vagueness is to be explained by the embarrassing position in which the Government which promulgated the Decree were placed. Something had to be done to allay the impatience of the public, which was exasperated by the rise in prices. The Government, however, were relectant to abolish the cartels: on the contrary in a note published in the Press they declared "that they desired to purge these organisations so as to enable them to assist in reorganising the country's economic policy and disseminating methods of rational production". The note went on to say that "the abolition of the cartels would not in any way assist in freeing markets; it would only surrender a large number of medium-sized or small undertakings into the hands of the financially omnipotent big concerns".

It will be realised that the effect of a Decree inspired by such sentiments was to protect rather than diminish the power of the cartels.

Is there any prospect of the enforcement of this Decree having any efficacy at the present moment?

The Government, it is true, has decided that certain conditions of sale (invoicing in foreign currencies, the "freibleibend" clause, etc) which, surprising as it may seem, have survived the Inflation in certain branches of trade, will in future be regarded as injurious to the general interests of the country within the meaning of the Decree of November 2, 1923, and may in consequence be made the subject of proceedings in the Kartelgericht. In pursuance to the foregoing decision, the Minister for Economic Affairs has recently sued six cartels belonging to the textile trade in the Kartelgericht. In each of these suits, however, application was merely made for the cancellation of the clause relation to invoicing in foreign currencies, which the firms affiliated to the cartels in question are in the habit of inserting.

Interesting as the Government's action in this matter may be from the standpoint of monetary policy, it is not likely to have any effect at all on prices.

Public funds and the price level. In its resolution of August 26th, the Government promised a reduction in the rate of interest for credits granted from public funds.

The rate of interest for the funds of the Postal Administration, which up to that date was certainly not lower than the discount rates

of the Reichsbank, was in consequence duly reduced to 7.5 per cent for short term loans and to 8 per cent for long term loans.

It should, however, be pointed out that the bulk of the public funds are only supplied to the business world through the channel of various public or semi-public institutions (Seehandlung, Reichskreditgesellschaft, Verkehrskreditbank, etc..). These institutions have, of course, undertaken to pass on to "their clients" the full benefit of the reduction granted by the public authorities; but in the majority of cases "these clients" are private banks.

Even supposing that the reduction in the rate of interest for credits should have the effect on prices expected of it, it could only influence the cost price of production, if the private banks were also prepared to offer easier terms. The representations made to the latter by the Government for this purpose do not as yet seem to have been crowned with success.

The banks are not prepared, it is stated, to make any appreciable alteration in their terms. The utmost concession that they would make would be to reduce the special commission (Bereitschaftsprovision) of 3 per cent per annum, which they at present charge over and above the interest on advances granted by them. (It has been tentatively proposed that this commission should be reduced to 1 1/2 per cent).

It is probable that at the present meeting of the Bankers' Congress the banks will take up a definite attitude to the Government's

solicitations. But even supposing that the private banks should make concessions, it may be wondered whether this will have any marked effect on the price level.

In an article in the Berliner Tageblatt (September 12, 1925) Dr. Felix Pinner does not think so. He is surprised that the Government have failed to observe that German purchasers and traders only apply the theory of cost price when it is to their own advantage to do so. For instance, they refuse to take into account the reduction in the Turnover Tax on the pretext that their raw materials or goods were purchased before the reduction became operative. On the other hand, they employ the theory of the price of replacement (Wiederbeschaffungspreis), which was so much in evidence during the Inflation period, to justify their claim to make allowance for the increased customs duties, even when calculating the sale price of products which they already had in stock before the increase came into force.

Dr. Pinner further inclines to think that a reduction in the rate of interest offered by the big banks would only benefit a very small section of the business community. The majority of firms, he states, can only procure funds through banks of the second or third rank and at rates which are notoriously higher than the normal rates. This "irregular money market", he writes, does not comply with orders "from on high".

To sum up then, the action proposed by the German Government

does not seem likely to have much influence on prices. The main causes of the high cost of living in Germany are, on the one hand, a plethora of middlemen, and, on the other hand, the exorbitant demands of traders who in calculating their profits have in many cases retained the habits which they acquired during the Inflation. The Government's measures do not seem likely to be able to affect either of these two causes of the high cost of living.

M.D.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

IS THE GERMAN ECONOMY "PASSIVE"?

BY

PROFESSOR JULIUS HIRSCH, EX-SECRETARY OF STATE

(from Magazin der Wirtschaft No.31 of September 10, 1925)

Summary

The current pessimistic outlook in Germany with its assertion of a 30 per cent falling-off of production is not justified by the figures. It is more probable that production has regained the pre-War level. The origins of the present crisis are to be sought, not in the wage-level - which is in fact below that of almost every other country - but primarily in the faulty distribution of the capital of production.

Pessimism in regard to the economic outlook is now once again the common faith of German business and commercial circles. The present depression is almost as deep as that existing during the Inflation period and the arguments used now are more or less identical with those commonly employed then. It will be clearly recollected, to take only a single example, that the former Directorate of the Reichsbank argued year in year out that the enormous deficit in the German Trade balance was the main cause of the collapse of our currency, and a sign of economic

bankruptcy on both at home and the foreign markets. Other theories of the Inflation time are also revived; it is stated, for instance, that the harvest has fallen off appreciably, and that the German worker is overpaid and produces less than formerly. The object of these and similar statements is not always obvious, and their appropriateness never. It is not, for instance, easy to gather what consequences German bankers who travel abroad in the search for credits expect from the accusation of regular under-production which they bring against the German workman.

The views held by those who are pessimists as to Germany's economic outlook are summarised in a fairly concentrated form in the address presented by the Central Association or the German Employers' Organisations Inc. (Vereinigung der Deutschen Arbeitgeberverbande E.V.) to the Chancellor on May 12, 1925. The main points of their argument approximately are as follows:

"There has been on the average a falling-off of 30 per cent in the national economic capacity of Germany as compared with before the war. Industry, agriculture and commerce are burdened as a result of the Industrial Debentures clauses of the London Agreement with a total debt exceeding 10 milliard Gold Marks. The greater part of this amount, which is equivalent to about a third of Germany's total industrial capital, is borne by industry. It is only by running into debt that it has been possible artificially to keep down hitherto the numbers of unemployed ... Unless the attempt is made to lay the foundations of a sound economic development in close connection with the social pacification, at which we are aiming, nothing can arrest the

steady decay of the German economy. The level of wages has risen consistently in Germany. The difference between effective wages in Germany and abroad is now quite insignificant, if we disregard the United States of America. The rise in the German wages curve has not unfortunately been accompanied by a similar rise in the economic curve. Those who direct our wage policy must accordingly take care lest the wage curve lose touch with the economic curve. The economic position, taken in conjunction with the intrinsic standard of wages and living, is not such (in view of employers who look further ahead than the needs of the current day) as to afford justification for asking or granting increases in wages.

Statements of this nature are well calculated to represent the German economic position as gloomy, or at any rate to raise doubts concerning it in the minds of foreign lenders. If indeed the decay of our economic structure can only be arrested by the application of radical measures in the employers' sense, we are hardly likely to be regarded as suitable recipients of credits, least of all long term investments. In marked contrast to the foregoing, the valuable Report of the Reichskreditgesellschaft entitled "Deutschlands wirtschaftliche Entwickelung im ersten Halbjahr 1925" (Germany's economic development in the first half of 1925), states in this connection : "To all appearances production taken as a whole attained the pre-war level in the first half of 1925." Who is right? Are we in course of decay? or have conditions so improved that our national capacity has reached the

pre-War level? The following question will be considered below :

1. Is Germany economically bankrupt, and can her economic position only be maintained by means of artificial measures, in particular by foreign credits? Is her economic position accordingly unsound in itself?

2. Is the wage level in Germany in point of fact substantially identical with the wage level in such foreign countries as can be compared with Germany, that is to say in foreign countries with a stable currency?

3. If both the above questions be answered in the negative, to what are the momentary difficulties of our economic position to be ascribed?

1. GERMANY'S ECONOMIC RECOVERY.

To a French politician have been attributed the hard words, spoken at the end of the War, that "there are twenty millions too many Germans in the world". The same sentiment has been heard too often on the lips of the Germans, more especially of the economically semi-educated. As a matter of fact Germany lost at the end of the War 18 per cent of pre-War territory, but only about 10 per cent of her pre-War population. Before the World War we required for our food supply to import food stuffs and

fodder equivalent to more than 3 milliard Gold Marks (pre-War value). These imports fell steadily from 1919 to 1923. Has our population fallen to a corresponding extent? After all these years of suffering and in spite of all the prophecies of our collapse, the population in the territories left to us has increased quite astoundingly. The figures are as follows :

December 1,1910 (incl.the Saar)	58.45	millions
October 8,1919 " " "	59.85	"
June 16,1925 " " "	63.25	"

The first point to be remarked then is that in six hard years we have not merely not lost the twenty millions alluded to, but we have in round figures three and a half more million human beings within our frontiers (while the population of France, for instance, has remained practically stationary in the same period) and for these three and a half millions we have been able to provide work.

We have however an even greater addition to the number of persons practising an occupation. The Statistical Office of the Reich states in its memorandum to the Dawes Committee that the number of persons practising an occupation in Germany in 1907 was, in round figures, 30.2 millions. The cessation of territory should, according to the position at that time, have reduced this figure to 27.3 millions. To-day however there are certainly not less than 33 million Germans engaged in one occupation or another.

(It should be said in parenthesis that the increase may appear a little high, since the number of persons practising an occupation certainly increased at an appreciably faster rate than the population in the period between 1907 and the outbreak of the War. Three and a half to four millions will however represent the effective increase in the number of workers in Germany as compared with the pre-War period.)

The above increase of course includes a certain number of persons who formerly had no occupation, but whom impovrishment now obliges to earn a living. Moreover, the shorter hours of work still existing in certain trades necessitates the employment of more hands, while the fact that our industrial areas are less favourably situated geographically than formerly, and the fact that we have no longer foreign investments on which we receive interest in the form of raw material and food-stuffs, have had a similar effect. It is however undeniable that:

except at the time of the Ruhr occupation, the number of unemployed in Germany as a whole has at no time been, and is not now, substantially in excess of the pre-war number; it is certainly no greater if it is remembered that we had formerly a standing Army of over 700 000 men, as against 100 000 now (including the increase in the Police Force). The population has risen in numbers and there are about 4 million more persons engaged in work of some sort than there were before the War. Moreover, the working classes have, in the last six years, if we disregard the period of the occupation

of the Ruhr, appreciably improved their general standard of living, while by their work - and, at times, by their self-denial - these millions of toilers have co-operated in the reconstruction of our industrial plant and in the revival of the German people's capacity for production. That reconstruction and that revival are depicted in what follows.

First, the transport system. Here the "symptoms of decay" are as follows. Upon the outbreak of the War we had something over 28 000 locomotives. At the end of the War we had to surrender 5 000 of these as compensation for the engines requisitioned by us in the occupied areas. On top of this the "terrible wastage and deterioration of rolling stock during the War"! And the result? This: at the beginning of the Ruhr occupation, we had a paltry .... 31 000 locomotives: And freight cars as follows: outbreak of the War, 667 000; delivery at the Armistice about 150 000; stock at the beginning of 1923, approximately 719 000. For every 100 kilometers of railway in operation we had

	Locomotives	Passenger Cars	Baggage and freight cars.
in 1913	48	111	1121
in 1921	57	127	1252
in 1922	56	129	1283

The "symptoms of decay" are much the same in the case of the merchant marine. Out pre-War mercantile fleet amounted to five and a half million tons. We were obliged to surrender the whole, less

about 350 000 tons. That fleet was the product of three decades of building. Six years after the War we had rebuilt about 3 million tons.

And what of our traffic figures? The Association of the German Employers' Organisations asserts that the goods traffic of our railways is only about 70 per cent of the pre-war traffic, and ascribes this diminution to the general weakness of our producing capacity. In point of fact the statistics for goods traffic in round figures are as follows (according to Wirtschaft und Statistik, 1925, page 505) :

The average monthly quantity of goods despatched by rail was in millions of tons :

	1913	40.0
	1922	33.15
	1924 (1)	21.70
February	1925	29.60
March	1925	31.98
April	1925	29.30

(1) Figures incomplete owing to Ruhr occupation.

76 per cent would accordingly be the correct figure for the months of February, March and April 1925, if the terms of the comparison were valid. But it has two important gaps, the existence of which, strange to say, is invariably overlooked. In the Statistisches Jahrbuch 1925 the Statistical Office of the Reich states : "As compared with 1922 the pre-War figures for tons carried are too high, since a consignment forwarded by more than one of the then separate State railways was entered more than once in the Statistics." For instance, all traffic between North and South Germany, or between Saxony, Thuringia and Prussia, or between the different States in South Germany was entered in the pre-War period at least twice over and frequently oftener in the statistics! To-day, when we have only one railway for the whole Reich, no consignment is entered more than once in the statistics. Consequently, the comparison of tons carried which is so often drawn with the object of demonstrating a post-War reduction of traffic is completely false. Moreover, the Statistical Office directs attention to the fact that the official statistics for 1913 are based on the railways as they existed in that year "without Alsace-Lorraine", that is presumably with the territories ceded on our Eastern frontier. Nor must it be forgotten that the cession of Alsace-Lorraine has involved the permanent loss of huge consignments of ore and coal, while motor transport has robbed the railways of much of their traffic, and the development of electrical power, in particular in

the form of overland transmission, implies reduced coal consignments for the same unit of output. Taking into account then the very important sources of error mentioned above, it appears at the least questionable whether there has in point of fact been a reduction in the quantity of goods carried by rail as compared with the pre-War period.

A comparison of the figures for ton-kilometres is somewhat less open to objection. The figures are :

	millions of ton-kilometres
1905	44 567
1913	58 900
1922	68 652
1925 (the year's return estimated on the figures for the three months February to April)	57 100

The ton-kilometer figures are not altogether comparable for the reason that the present geographical configuration of the Reich is less favourable for railway traffic purposes than formerly; the East Prussian traffic, for instance, is far less productive than formerly. On the other hand the three months of 1925, for which data are at present available, do not afford anything like a true picture of goods traffic for the entire year, since the transport of the harvest

and of coal for household use takes place in the second half of the year.

Passenger traffic shows a very marked increase over the years immediately preceding the War. The figures are :

	Total number of passengers carried	Passenger-Kilometers
	(i n M i l l i o n s)	
1905	1160	25 632
1913	1798	39 024
1922	2979	75 180
1925 (the year's return estimated on the figures for the three months January - March)	2074	42 844

The only figures that are really comparable show therefore that there has been no reduction in traffic as compared with the pre-War period, but on the contrary an increase: and that, in spite of the fact that the serious disorganisation caused by the Ruhr occupation has even yet hardly been set right. The West German railway lines were only restored to German management on November 15, 1924!

What now is the position with regard to production itself? Is it really true that our productive capacity has fallen as low as 70 per cent?

Let us first take the coal trade. Between 1919 and 1921 some 200 000 fresh workers were taken into the coal industry .... an industrial migration which for rapidity is scarcely paralleled in history. In the same period a comprehensive measure of economy was introduced in the fuel consumption of all branches of industry, mainly thanks to the development of electrical power, the result being that we use a considerably smaller quantity of coal than formerly. In the Saar and Upper Silesia we have lost approximately a quarter of our previous coal supply: but in return therefor we have developed our brown coal mines enormously, and with the following results.

Our average monthly output is :

	Black Coal (excl. the Saar)	Brown Coal (Lignite)	Coke
	(thousands of tons)		
1913 (present territory of the Reich)	11 729	7 269	2 639
1925 (the year's return calculated on the figures for the first half year)	10 914	11 351	2 342

Supplies of fuel were accordingly equivalent to not less than 90 per cent of the fuel value of black coal in 1913. The improved study of thermics has taught us to economise certainly not less than 10 per cent (experts say 15 per cent) of our

consumption: and the effect is that we refuse to take from the Poles the coal supplies lost to us by the cession of Upper Silesia, and still have great difficulty in finding markets for what we produce ourselves. Further re-organisation of our workers and the closing down of mines exploited in the hard years are to all appearances inevitable.

The comparison with 1913, which is so much in favour now, is entirely misleading. The employers' organisations compare the years 1913 and 1924. But 1913 was typical of the years when the economic barometer touches the highest point of the curve, more especially the first six months of 1913, whereas 1924, the first half of which was marked by the occupation of the Ruhr, the dislocation of the traffic system and general economic incurity, the economic barometer reached its lowest possible point. If any comparison with the pre-War period is desired at all, it would be more correct to take as a basis the average of the five years from 1909 to 1913. The following table shows the production in 1924, a year of depression, in terms of percentages of the average production of the years 1909 to 1913.

Black Coal	(circa)	98 per cent
Brown Coal		166 " "
Coke		91 " ".
Pig Iron		86 " "

Steel	99 per cent
Rolled Products	106 " "

That is to say, compared with the average for five years preceding the War, the extraction of coal for the first half of 1925 in the territory still remaining within the Reich exceeds the average pre-War (by about 108 per cent, regardless of improved methods of utilisation due to advanced knowledge of thermics).

No attempt will be made here to continue the comparison in those branches of the finishing industry for which trustworthy data are available. Perhaps the philosophers of "decay" will consent to compare the output figures in the printing paper trade, the motor building industry or the potash mines and will include in their calculations the extremely satisfactory development of the nitrogen industry.

In that event they might have less difficulty in finding an answer to the most curious riddle of all, namely the production of food stuffs for national consumption by German agriculture. How is the following concatenation of facts to be explained? Our population grows, and the general standard of life has beyond all dispute improved enormously since the end of the War. War bread, War jam and substitute egg powder have sunk into the limbo of forgotten things along with bread coupons which survived until as late as 1921. We have more livestock than before the War: our imports of foodstuffs and fodder were lower down to the middle of 1924, imports of bread and fodder stuffs and of flour in that year being hardly three-quarters of the pre-war imports. And all this simultaneously with a prodigious falling

off in harvests? How to harmonise the facts with the following figures for the harvest yield per hectare?

	Rye	Wheat	Oats	Potatoes
1912	18.7	23.2	19.5	151.8
1913	19.3	24.1	22.0	157.1
1922	12.6(!)	14.2(!)	12.5	149.4
1923	15.3	19.6	18.3	119.5
1924	13.5	16.6	16.0	131.9

How, in view of this prodigious falling off and of the steady decline in foreign imports, was it possible for the population to increase so fast? And improve their standard of living? And how in view of all this is it possible, according to the reliable evidence(1) afforded both to Germans and foreigners by our official statistics, that the increase in our livestock between December 1, 1922, and December 1, 1924, amounted to

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(1) Livestock in the present territory of the Reich on December 31 in each of the following years amounted to:

	1913	1922	1924
	(in	millions)	
Horses	3.80	3.65	3.85
Horned cattle	18.47	16.30	17.30
Hogs	22.53	14.68	16.84
Sheep	4.99	5.57	5.12
Goats	3.16	4.14	4.35
Poultry	71.90	65.20	71.44

And more! How in the face of these and similar facts can German agriculturists continue solemnly to undertake to cover from their own resources practically our entire requirements in foodstuffs? How can experts of undoubted capacity endorse this version of the facts?

The solution of the riddle is very simple. The men improved their miserably reduced standard of living; and the beasts grew again and waxed gradually fat. The only place where permanent and lamentable under-nutrition continued to exist was the harvest statistics!

For this, the statistical authorities are not to blame. When one has been obliged for seven years to deliver grain at fixed low prices one is in no hurry to over-estimate one's grain harvest for the purpose of the official returns?

It is a pleasure to note that this discordance to which I have in vain drawn attention for months and years, is pointed out by an official of a body which represents agricultural interests, Dr.Kurt Ritter, in the Deutsche Tageszeitung. Whether the inference to be drawn from improved production is the necessity for higher agricultural protection, is another question. But we ought not, on grounds of purely internal politics, to draw so thick a veil over one of the most magnificent performances in the shape of production that our agriculture, working in co-operation with our fertiliser industry, has ever achieved. We have learned to replace lost soil by means of nitrogen, i.e. by means of brown coal and air.

It is probable that our agricultural output has already regained its pre-War level in the territory remaining within the Reich, and may have already surpassed it in certain important aspects. And we may be confident that a considerable improvement is still attainable. Our home supply has grown already and will, in all probability, continue to grow (especially if fertilisers become cheaper).

No fresh evidence need be given here of the very considerable development of our industrial plant in recent years, including even the Inflation period. Large sums were of course badly invested in the frenzy of the "flight to material values" and are now lost for ever. Even larger sums have vanished owing to crazy dividend policy and to the deception practised upon shareholders. And yet, like the reconstruction of our railway system, which was dubbed by the Dawes Experts "megalomania" - unjustifiably, but it shows the impression made upon foreigners - so the reconstruction of our industrial plant was made possible by the output achieved by the German nation, that is to say by what they produced <u>in excess of their own needs</u>.

The foreigner may have involuntarily assisted to some extent in the process. The losses sustained by non-Germans in Mark bank notes and credits between 1919 and 1921 may have paid for many milliards of our imports; but the greater part was paid for by us by the great "German clearance-sale". that is to say, by low export prices. But it is to something more than the balance of payments that the most important place in our recovery-next to the restoration of gold

standard - must be attributed. The construction of our industrial plant has been brought about by the toil of our people and by the self-denial of our working classes. It was only after the London Agreement had been adopted, that is to say, in the winter of 1924-1925, that we received the preponderant part of our present foreign credits, the economic effect of which - and possibly even the ectual amount - is greatly over-estimated.

From the data given above, and from supplementary data which may be consulted without difficulty, there can be drawn to my mind but one conclusion: The present production in the territory remaining within the Reich taken as a whole amounts to, not 70 per cent, but virtually a full hundred per cent of our pre-War production, a little less in some points, but in others unquestionably more. In the matter of food supply there is a tendency to increased independence of foreign supplies by the development of our own resources.

And yet there are symptons of economic crisis. They are due almost without exception to the shortage of liquid capital. We are of course suffering from export difficulties in many respects, partly owing to excessive prices. We succumb to the competition not only of countries with a low exchange, but also of countries like Great Britain, while many important German industries have demanded protection by high tarrifs against American industries, which pay wages four or five times higher than our wages. Meanwhile the German Employers' Organisations assure us that the responsibility for our situation lies chiefly with the excessive level of German wages!

2. THE LEVEL OF WAGES IN GERMANY. AND ABROAD.

The Employers' Organisation state that the wages-level has recently risen in an extraordinary degree. In April 1925 it was, they say, higher by from 50 to 75 per cent than in January 1924, while the increase as compared with July 1924 was 25 per cent. "The total amount of nominal wages exceeds that of the pre-War period, although output and sales of goods are equivalent only to 70 per cent of the pre-War figures." The costs of each unit of working-power are, according to the employers, from 60 to 100 per cent higher than before the War. The Railway, they state, pays in wages 150 per cent of what the railways paid in peace-time. The differnce between effective wages in Germany and foreign countires (with the exception of America) is, in their opinion, quite insignificant.

In the first place, the assumption that the gold mark is to-day equivalent in value to the gold mark in 1913 is more commonly encountered in reference to wages than in reference to prices. The Cost of Living Index of the Reich shows for the "Total Cost of Living" in July 1925 that, even according to the official calculations, the gold mark is to-day equivalent in purchasing power to only 70 pfennigs of the pre-War mark, and in regard to food stuffs to rather less than 65 pfennigs.

If therefore our national production were 70 per cent of our pre-War capacity, the amount cited by the Employers as representing nominal wages would bear exactly the same relation in gold value to

the work done as before the War. It has however already been pointed out that the assertions of the Employers with regard to production are incorrect. Considerable doubt must be felt too with regard to the accuracy of their statements concerning wages.

It is approximately correct to say that the railwaymen now receive an average of 150 per cent of their pre-War wage. In the pre-War period however the wages paid to railwaymen were notoriously almost the lowest paid in any branch of German industry. Bureaucratic aspirations on the part of the employees and the absence of the legal right to combine were exploited with some skill by the authorities to keep wages down. But the employers are wrong again in their calculations, if account is had to the skilled workers of the railway. At the time to which the Employers' Memorandum alludes the pre-War purchasing power of the manual workers employed in the railway workshops had declined, on the basis of the Index figures, to about 89 per cent. It is difficult to verify the other comparisons made in the Memorandum. In the view of the Employers' Organisations the scheduled wages are not a reliable basis of calculation, since there are allowances &c., outside of the schedule. Take however the underground pit worker, who according to declarations made by the Government of the Reich some time ago is invariably to be regarded as at the "pinnacle of the wage pyramid". At the time mentioned in the Memorandum the miner's weekly wages in the five most important coal areas in Germany amounted (after deducting taxes and social charges) to M.36.45 in 1913 and to M.41.65 at the end of March 1924. His purchasing power on the basis of the Cost of Living

Index, is 84.3 per cent of his pre-War purchasing power. Accordingly, the German wage earner has lost at least a sixth, and possibly a fifth, of his pre-War purchasing power.

Recognition of the fact that the reduced wages of the Inflation period could not be maintained subsequent to stabilisation was one of the reasons why stabilisation was dreaded and even combated for so long. It is not fair to take the first moment following stabilisation as the starting-point in order to demonstrate the "rise in the curve". The Employers might just as well have taken for the purpose of comparison the position of wages (converted into gold) from April to June 1923. The rise would then have been several hundred per cent!

Further enquiries will have to ascertain the actual distribution of the yield of our national work at the present day and the changes as compared with formerly. The debit side of such calculations will show the increase in the number of workers side by side with a national production which has remained practically stationary, and the loss of former incomings in the shape of foreign interest. The credit side will show the elimination of large unearned incomes which previously accrued to non-workers from a national production no larger than it is at present, and are now available for the workers themselves. Such enquiry will have to take into account the improvement in national productive capacity that has incontestably taken place in agriculture, in the transport system (e.g. expansion of the motor transport system) and in the organisation of high power for industry. That considerable reserves are to be

discovered herein is demonstrated by the fact that in foreign countries, where there is a high rate of exchange, effective wages have risen very appreciably as compared with the pre-War period. Here again the allusion of the Employers' organisations to the wage level already attained abroad is anything but fortunate.

What then are the true facts of the comparison between German and foreign wages?

The Employers' Memorandum alludes to April of the present year (1925). Comparable wages converted into dollars bore approximately the following ratios to one another in that month. Wages in Germany being rated at 100, the amounts in foreign countries were :

United States	330-400 and substantially higher
Great Britain	158-211
Holland	120-158
Denmark	140-185
Sweden	142-190
France	72-140
Belgium	60-101
Austria	63-87

As only the gold mark value of wages can be taken into account in connection with the question of ability to compete, the foregoing figures certainly do not afford ground for the inference that Germany's disability is due to wages.

Moreover, there is a considerable margin of difference in the purchasing power of wages in Germany and in countries with a high rate of exchange. The purchasing power of wages in the United States was in April 1925 about twice what it was in Germany; comparison of the Index prices shows that purchasing power in England was between one quarter and three quarters higher, in Denmark between one quarter and two thirds higher, while in France it fluctuated between 7 to 8 per cent less and as much as 80 per cent more.

That social charges do not have the significance for industrial costs ascribed to them by many has been proved so exhaustively by the Labour Ministry of the Reich that there is no need to repeat its arguments here.

Taxation does undoubtedly represent a heavy debit item for all branches of the economic system (though still not so heavy as in Great Britain). But 70 per cent of the taxes (including the Turnover Tax) are taxes on wages and consumption. These are much too high; and the same remark is true in part of the railway rates and postal fees. Who however, we may ask, has greater weight with the Government and Parliament than the Employers' Organisations? If the Employers have any charge to bring on this score, let them bring it against themselves. The charge is certainly not without justification.

The facts then are: Our prices for many important categories of goods exceed World market prices, whereas our wages are lower than World market wages. On top of this we have unmistakable symptoms of a crisis. Why?

3. OSTENSIBLE AND GENUINE CLAUSES OF CRISES.

Only the briefest outline of this subject will be sketched here to-day.

a) The "appalling adverse trade balance" is an assertion that is still constantly made. It was demonstrated in February of this year (1925) in the Second Number of this periodical that the acceptance of foreign credits was merely another term for the forcing down of our trade balance, and that it was inconsistent to call aloud for foreign credits in all the tongues of humanity and at the same time lament the adverse trade balance. Since then this view has been adopted semi-officially by Ministers. It was also shown in the same article in this periodical that our export statistics too are underfed; but this assertion the statistical officials were at first not prepared to accept. The Statistical Office of the Reich is engaged at the moment in a mathematical dispute with an ex-Minister of the Reich, who is endeavouring to support his argument, correct in itself, with figures that are obviously inadequate. The search for exhaustive figures is to my mind somewhat superfluous; they are not likely to attain their object. The exporting merchant in his own interest will take care that the figures in his export declaration are over-high.

1. in all cases where import, export or transit duties are calculated <u>ad valorem</u>, as is much more commonly the case than before the War;

2. the same motive may be operative, where it is a case of avoiding taxation; especially in cases where

3. a firm has branches or business connections on a profit and loss share basis (Metageschäft) abroad. The temptation is however especially strong

4. in all cases when there is ground for apprehending a revival of the regulations for the surrender of foreign currencies. The rationing of foreign currencies still subsisted in June 1924. The memory of business men is not so short (as is proved by the harvest statistics, in which the effects of official control are even to-day only too visible). And when important organisations of employers talk and write of the "decay of the economic structure" and even of the "menace to the currency on account of rising wages", the tendency to panic can only be strengthened.

The menace of high protective duties helped to swell the deficit in the trade balance between May and July 1925; but otherwise the deficit is not quite so large as it appears. The export figures will have to be increased by something like 15 to 20 per cent, while the import figures are decidedly not too low. There are grounds for the belief that the estimates of import values have frequently been based and still continue to be based, on imported goods of too high a quality. The remaining deficit is doubtless covered by the foreign credits and the return of the last stragglers of the great army of foreign currency holdings.

Once these cease, the deficit will be reduced by the amount they represent.

In the statement which he made in the Reichstag Committee on the Customs duties Dr.Wagemann, President of the Statistical Office of the Reich, brought a new factor into the discussion in the shape of the argument that the excess of imports is partly due to the shortage of business capital. We are importing meat because some of our farmers have not the means to outlast the period between the purchase of the corn and the slaughter of the hog, that is to say, we import the dearer finished commodity instead of the cheaper raw material. We import finished textile goods because our textile industry is to a very large extent short of the necessary capital for according credit to buyers, and maintaining large stocks of raw materials on hand. Loanable capital is becoming excessively dear, but what is worse is the shortage of capital altogether. No capital is dearer than capital which does not exist. That is the cause of our troubles and it may become even more serious ere long.

b) The real source of our present troubles is the inadequate accumulation of capital and the totally mistaken distribution of such earned or loaned capital as is available between investment and business operation. The subject can only be discussed in its outlines here.

1. If national production is nearly equivalent to the pre-War level, and if the consumption of the masses is certainly not in excess of the pre-War level, the net difference between them,

namely the accumulation of capital, must approximate to the pre-War volume. It certainly does not, though there is some evidence that it is accumulating faster now.

2. A portion of the national production is eaten up by unproductive outlay and the excessive number of business concerns. We have too many trading businesses and far too many Banks, while even the machinery of our industrial production suffers from overcrowding. All this nibbles at our national output without producing anything in exchange. The backwardness of our methods of work as compared with the most developed foreign countries partly counterbalances the "advantage" derived from low wages.

3. Moreover the surplus of our output over and above the requirements of home consumption is wrongly distributed between investments and business capital. For many years ahead our economic organisations will require an expansion of business capital, which means primarily an expansion of credit. In the last analysis credit can only come out of savings: and savings require the enticement of high rates of interest, and should not be frightened away and driven to consuming their accumulated capital by the low rates for deposits and the high rates for over-drafts, which is all our overcrowded banking system can offer them.

4. The persistent and excessive withdrawal of capital owing to the over-heavy taxation is also a mistaken policy. True, it is tantamount to the formation of a compulsory savings fund; but in part this has been sunk in buildings (<u>the Prussian Hauszinssteuer</u>)

and in part it has been used to bolster up artificially uneconomic big concerns. The result is an ineffectual and economically unsound use of capital.

c) The position described is rendered worse by the fact that to all appearances no adequate provision has been made for the supply of capital in the coming severe winter. Credit contraction was correct; but it should have been brought about by high discount rates, which would have encouraged and stimulated the formation of new liquid capital, and not by artificial depression with two prices, one for the credit rations of the Reichsbank and the State Bank, and another for credit on the open market. The effect of the methods employed has been to throttle the formation of savings instead of encouraging it by all possible means. The result will be all the more perceptible in the coming months, since the "inverted transfer", which we have had hitherto, is now being transformed into the real transfer. That is to say, money and other media of payment have hitherto been imported into Germany from abroad in the shape of short term loans; while the first Reparation payments have been effected from the Dawes Loan. Foreign countries cannot and will not continue the process on this scale. Now begins the real transfer. In some quarters it has been held that this will be impossible. According to preliminary reports the greater part of the annuity for the second year will be taken in the form of deliveries in kind. Such as they are, they will come out of the sum total of Germany's production, and will represent protanto a diminution of our available surplus. That is bound to aggravate our credit

position considerably, since neither Reich nor Reichsbank have taken any suitable precautions as regards either credits or foreign trade.

We are then threatened with a serious situation as regards credits, which will indubitably be accompanied by the collapse of many a firm. Rates of interest accordingly are not likely to fall fast. Help must be sought, and indeed can only be sought, from our own internal accumulation of capital, in particular from small, nay even the smallest, savings. Savers ought to have been encouraged long since in other ways than those adopted hitherto. No decisive help is to be expected from foreign capital. But there could be nothing more wrong-headed than in this amount to acare investors away with prophecies of bogies like the "process of decay" and menaces to the German currency.

(More than half of the total of foreign credits that Germany commands - apart from the Foreign Exchange Reserve - is counter-balanced by the credits which we have been obliged to grant to the customers we have recovered abroad. In all branches of the export trade credit terms are very much longer than they were before the War. The average minimum period for which we have to grant credit for exports of manufactured goods is two to three months. The significance of this fact for our total export trade, officially estimated at present at an annual value of about eight and a half milliards, is easy to appreciate. Or, to put the position in terms of internal reconstruction, it may be said that the total of our foreign credits would most probably not suffice to cover even at

their present value the costs of construction of the new dwelling houses built within the last three years.

Thus far, and no further, the assistance of foreign capital. The whole of the work of recreating our productive capacity, our transportation system and the stocks in our warehouses has otherwise been effected by the toil and self-denial of our people, the capital value whereof is incalculably greater than that of our foreign credits.

Economically, then, Germany is far from bankrupt. With her own resources and by dint of self-denial she has achieved a great task of reconstruction, though it is unfortunately true that owing to the distortion of the truth in the mirror of Inflation too much of the proceeds of the nation's work has been diverted into bad investments. The country must now be prepared for a process of metamorphosis. The exaggerated tendency to invest must be exchanged for the creation of business capital. The economic structure must be purified by the weeding out of superfluous firms. The extension of plant must be replaced by radical standardisation on American lines. "Inverted transfers" have to cease, and "real transfers" to begin. As we have made no adequate provisions to meet the changes, the process cannot but be attended by the collapse of many a concern, and it is the most innocent who will suffer most.

Fundamentally however the German economic organisation is sound through and through. The courageous reconstruction of our economic system and of our economic capacity is termed by foreigners "the German miracle". Our first task as we see it, is to see the truth of this

miracle, and to proceed in the light of such recognition to conscious national achievement.

From the German
Translated - CP
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GS.

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Berlin, October 5, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

(1)

THE LIQUIDATION OF THE MARK LOANS OF THE REICH, THE STATES AND THE COMMUNES.

Below is an analysis of the Law of July 16, 1925, on the Liquidation of the Mark Loans of the Reich, the States and the Communes.

I. LIQUIDATION OF MARK LOANS OF THE REICH.

A. Marks Loans of the Reich to which the procedure laid down in the Law of July 16, 1925, applies.

The procedure summarised below applies to the following categories:-

a) scrip, stock and Treasury Bonds of the Reich;

b) debts of the States taken over by the Reich upon the transfer of the railways of the States;

c) debts indicated by the Finance Minister of the Reich with the assent of the Reichsrat.

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(1) It will be recalled that since the coming into force of the Decree of December 12, 1924, the word "Mark" means "paper mark", as opposed to the word "Reichsmark" (RM,) which refers to the new currency.

The following categories are excluded from the procedure:-

a) the 1922 Forced Loan,

b) non-interest bearing Treasury Bonds, with the exception of such as are issued in compensation for war damages;

c) Reichskassenscheine;

d) Darlehenskassenscheine.

B. General regulations. The Mark Loans of the Reich - with the exceptions indicated above - are converted into Loan Liquidation Debt (Anleiheablösungsschuld). This new Debt is expressed in Reichsmarks (RM). Holders may not demand repayment of the capital or interest until such time as Germany's Reparation liabilities have been met.

Method of Conversion.

Loan Liquidation Debt to the extent of 25 RM nominal will be allowed for every

1 500 marks nominal of the 1919 Savings Premium Loan (Sparprämienanleihe),

16 700 000 marks nominal of the 1923 "K" Treasury Bonds,

50 000 000 000 marks nominal of the 1924 "K" Treasury Bonds,

1 000 gold marks of the non-interest bearing Bonds issued in compensation for war damages (the gold mark amount of these Bonds is ascertained by converting their nominal value into gold marks according to the ratio of conversion fixed for the day of issue in the Annex to the Revalorisation Law (Aufwertungsgesetz) of July 16, 1925.

1 000 marks nominal of all other Mark Loans of the Reich.

Restrictions on right of conversion:

1. the nominal amount of the Liquidation Debt received by the holder of Mark Loans must be 12.50 RM or a multiple of that sum,
2. the right to the conversion of Loans must be exercised by means of notification within a time-limit to be fixed by the Finance Ministry.

C. Special regulations for "old" holders.

The Law of July 16, 1925, provides for the favourable treatment of "old" holders of Mark Loans (Anleihealtbesitzer).

The following conditions must be fulfilled by "old" holders:

"Old" holders are those who acquired their Mark Loans before July 1, 1920, and have held them without interruption since that date.

Certain holders who did not own their Loans before July 1, 1920, are nevertheless held to be "old" holders: among these are holders whose securities were delivered to them by a Bank after July 1, 1920, but in execution of a claim originating before that date.

Mark Loans acquired not later than July 1, 1923, in virtue of a legal obligation to invest funds in trustee investments (mündelsichere Anlage), are held to be Loans with old possession to double the gold mark amount of the price at which they were acquired, in round sums divisible by 500.

Advantages enjoyed by "old" holders. The following advantages are, or may be, granted to "old" holders:

1. the right to participate in drawings for amortisation of the debt (Auslösungsrecht),
2. preferential annuities (Vorzugsrenten) - for "old" holders in necessitous circumstances,
3. charitable annuities (Wohlfahrtsrenten) - for charitable institutions.

1. Amortisation Drawings.

The Liquidation Debt in the possession of "old" holders will be amortised in 30 years as from January 1, 1926, by means of drawings.

"Old" holders of Mark Loans, who make application within the time limits prescribed by the Finance Ministry, will receive Participation Rights (Auslösungsrechte) in respect of which negotiable instruments drawn to bearer are issued, which are known as Drawing Certificates (Auslösungsscheine). "Old" holders will receive drawing certificates to the nominal amount of the Liquidation Debt to which they are entitled in respect of their Mark Loan holdings. Drawing Certificates are only granted for round sums divisible by 500 (750 in the case of the Savings Premium Loan-Sparprämienanleihe -).

On the other hand, where the amount of Loan Liquidation Debt received by an "old" holder exceeds 12 500 RM, the participation rights are reduced. Above this figure,

for the first additional 25 000 RM,	the participation rights increase by only 1000 RM for each 2000 RM of Loan Liquidation Debt;
for the next additional 25 000 RM,	by 1000 RM for each 3000 RM;
for further amounts,	by 1000 RM for each 4000 RM of Loan Liquidation Debt.

The holders of drawn certificates receive five times their Liquidation Debt holding in cash, plus interest at the rate of 4½ per cent on the amount redeemed for the period from June 1, 1926, until the end of the year in which the claim is drawn.

2. Preferential annuities (Vorzugsrenten) for "old" holders in necessitous circumstances.

German nationals resident in Germany, who are "old" holders of Mark Loans and are in necessitous circumstances, are entitled under the Law to receive a preferential annuity.

Persons are considered to be in necessitous circumstances whose annual income (excluding certain special resources, such as the pensions of war victims and workmen's pensions) does not exceed 800 RM.

The preferential annuity is 80 per cent of the nominal amount of the participation right (Auslösungsrecht), but may not exceed 800 RM. It is increased by 25 per cent to an amount not exceeding 1000 RM if the claimant renounces his claim to a participation right, and by 50 per cent to an amount not exceeding 1200 RM where the claimant has completed his 60th year.

The preferential annuity is payable in advance, in two half-yearly instalments if the total amount exceeds 100 RM, and otherwise in one single payment.

The preferential annuity lapses when the claimant loses his German nationality, when he no longer resides in Germany, or when it appears on scrutiny of his circumstances that he is no longer necessitous.

A scrutiny will take place five years from the first receipt of the preferential annuity and thereafter every three years. This provision does not apply to claimants who have completed their 60th year.

3. Charitable Annuities (Wohlfahrtsrenten).

Establishments and institutions maintained by ecclesiastical charity or lay effort, as also establishments and institutions for the furtherance of scientific education and research may, if they are "old" holders of Mark Loans, receive charitable annuities for a period of fifteen years.

The funds out of which charitable annuities are to be met shall be taken from Customs duties collected on agricultural products. The total annual Expenditure under this head must not be more than 10 million RM. Charitable institutions will receive 3/4 of the funds provided for this purpose.

Redemption Fund.

The execution of the above provisions will be ensured by means of a Redemption Fund, for which a fixed sum must be set aside each year in the Budget of the Reich. That part of the Redemption Fund which is only to be drawn upon in later financial years is to be invested at interest. The amounts to be transferred to the Redemption Fund must be so estimated as to attain, with interest at 6 per cent, the total amount required for redemption.

D. Special Loan Fund. (Anleihe-sonder-fonds).

To augment the service of amortisation of the Loan Liquidation Debt, a Special Loan Fund (Anleihesonderfonds) is to be created into which shall be paid:

a) one half of the dividends which the Reich receives in its capacity of shareholder of the German Railway Company, for so long as the Reparation liabilities of the Reich continue (the part of these dividends which the Reich transfers to the Federal States in virtue of special agreements is to be deducted, and the sums which the Federal States transfer to the Reich out of such dividends of the Railway Company as they themselves receive are to be added),

b) the sum by which the annual payments into the Redemption Fund are inferior to the amounts to be paid into the said Fund when the total claims on account of participation rights amount to 500 million RM.

The Special Loan Fund is to be employed as follows:

for the extraordinary amortisation of participation rights,

for the redemption of participation rights held by Savings Banks, social insurance offices, etc., where such participation rights have not been redeemed by means of the sum of 150 million RM mentioned below.

II. LIQUIDATION OF MARK LOANS OF THE STATES AND COMMUNES.

Under the Law of July 16, 1925, the liquidation of Mark Loans of the States, Communes and Communal Associations is similar to that explained above in the case of the Mark Loans of the Reich.

A. Mark Loans of the States.

Holders of Mark Loans of the Federal States may demand their commutation, in so far as the amount to be granted in new stock works out at 12.50 RM. or a multiple of that sum. They will receive in the new stock 2½ per cent of the gold value of the Mark Loans at the time they were issued. The gold value of Mark Loans issued before January 1, 1919, is equivalent to their nominal value. The gold value of debts incurred at a later date is calculated on the basis of the ratios of conversion given in the Annex to the Revalorisation Law.

The new stock is denominated in Reichsmarks; repayment of the capital may not be demanded.

The Governments of the States will themselves issue regulations regarding the redemption of that part of their Loans which is not held by "old" holders. In so far as redemption is effected by means of drawings, at least the nominal amount shall be repaid.

"Old" holders. The stock issued in exchange for Mark Loans with old possession will be redeemed by means of drawings. The participation rights are repayable at 5 times their

nominal value, plus interest at the rate of 4½ per cent per annum from January 1, 1926, until the end of the redemption year.

The meaning of the term "old possession" is the same as for the Mark Loans of the Reich. The provisions explained with reference to the preferential annuity to be paid to "old" holders in necessitous circumstances also apply to the Mark Loans of the States.

Creditors may claim more than one preferential annuity of the Reich and of the Federal States only in so far as their total amount does not exceed the maximum rates indicated.

B. Mark Loans of the Communes.

The regulations fixed by the Law of July 16, 1925, for the liquidation of the Mark Loans of the Communes are, with a very few exceptions, the same as the regulations analysed above.

The Supreme Authority of the Federal States may appoint a Trustee to protect the rights of holders of the Mark Loans of a Commune or Communal Association.

A Trustee must be appointed upon application by a holder.

The Trustee may apply to the Supreme Authority of the Federal State for the reduction of the redemption period for Loans with old possession to not less than 20 years.

He may apply for the establishment of a longer period than 30 years if the economic position of the Commune makes this necessary (if, in particular, its capacity to pay is specially heavily reduced by the provisions of the Treaty of Versailles).

The redemption amount of participation rights will bear interest at the rate of 5 per cent (instead of 4½ per cent as in the case of the Reich and the Federal States).

The redemption amount of participation rights may, if the financial position of the commune makes this possible, be increased up to ten times the nominal value.

The Governments of the States will issue regulations regarding the amortisation of that part of the Loans of the Communes which is not in the hands of "old" holders.

Moreover, the Federal States are authorised to issue more detailed provisions regarding the procedure to be followed for the amortisation of the new stock issued in exchange for Mark Loans of the Communes with "old" possession.

III. NON-RECURRENT GRANT TO PERSONS IN NECESSITOUS CIRCUMSTANCES.

In addition to preferential annuities (Vorzugsrenten) and charitable annuities (Wohlfartsrenten) issued in favour of German nationals in necessitous circumstances who are "old" holders of Mark Loans of the Reich, the Law of July 16, 1925, contains special provisions in favour of German nationals who are "old" holders of less than 1 000 marks in Mark Loans of the Reich, the States or the Communes.

By means of a fund of 150 000 000 RM, which the Finance Minister is authorised to expend, such holders receive, subject to the cancellation of their claim to participation rights,

15 RM per 100 marks nominal of their holding in Mark Loans;

from the balance remaining, Germans who hold Loans with "old" possession to the total nominal amount of less than 1000 marks, and whose annual income does not exceed 1500 RM are to be granted 8 RM per 100 marks nominal of their holding in Mark Loans.

Any balance then remaining will be used for the redemption of the participation rights acquired by Savings Banks, Social Insurance Offices, etc.

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These are the most important provisions of the Law of July 16, 1925, for the application of which the Government of the Reich and the Governments of the States will have to promulgate many Executory Decrees.

Up to the present, two Decrees have been published in the Reichsgesetzblatt (I, page 137). They are both dated September 8, 1925, one being issued by the Government of the Reich and the other by the Finance Minister.

They give detailed regulations regarding the application of the liquidation procedure for Mark Loans of the Reich.

They leave certain important points still unsettled, such as the time-limits within which application for the conversion of

Mark Loans into Liquidation Debt must be lodged by persons who are not "old" holders, the granting of charitable annuities, etc.

A list of the Loans which are to be considered as Mark Loans of the Reich is appended to the Decree of the Government of the Reich.

Below are the principal provisions of the two Decrees in question:

A. Conversion of Mark Loans into Loan Liquidation Debt of the Reich.

No time-limit has yet been fixed for applications for the conversion of Mark Loans not in the possession of "old" holders. The question does not urgently arise, since the holdings in Loan Liquidation Debt acquired in exchange for Mark Loans by persons who are not "old" holders do not give such holders any rights until Germany's Reparation liabilities have been met in full.

We will merely state that application for the new stock has to be made through a credit institution to the Reichsbank which examines them and obtains from the Reichsschuldenverwaltung (Administration of the Public Debt of the Reich) the new securities which it transmits to the claimants.

B. Participation rights (Auslösungsrechte).

1. <u>Bearer Bonds of the Mark Loans of the Reich.</u>

Claims for the conversion of Mark Loans of the Reich, which are accompanied by application for participation rights, must be made between October 5, 1925 and

February 28, 1926 (these time-limits only apply for the territory of the Reich, excluding the Saar).

Notification.

Notification must be made to a private Bank, a Savings Bank, a Cooperative Bank etc. It must be made on a special form. Upon request, the securities in respect of which the applicant claims old possession must be enclosed. The applicant is responsible for proving old possession. Any kind of proof will be accepted but, where possible, proof should be submitted in writing (banking documents) and should be submitted with the application.

Generally speaking, the Banks may not charge for their services, which will be paid for by the Reich.

Office for Loans with old possession (Anleihealtbesitzstelle)

The Bank transmits the notification (together with the Mark Loans received and, if possible, written proof of old possession) to the Office for Loans with old possession (Anleihealtbesitzstelle) set up in connection with each Finanzamt (Revenue Office). The Office will examine the notification. It may in writing demand further explanations from the applicant; it may summon him to appear, or request him to produce witnesses, if he has not supplied written proof of his old possession.

Commissioner of the Reich (Reichskommissar)

The file thus completed is then sent to the Commissioner of the Reich for the liquidation of Mark Loans with old possession,[1] who will decide whether the notification can be

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(1) The Decree of the President of the Reich, which is to define the Commissioner's powers, has not yet appeared.

admitted and will inform the applicant of his decision. If the demand is rejected, the applicant may appeal to the Reichsschuldenverwaltung whose decision will be final.

If the notification is admitted, the Commissioner of the Reich will inform the Reichsschuldenverwaltung which, through the Reichsbank and the Bank to which application was made, will transmit the new stock to the applicant (Loan Liquidation Debt bonds + drawing certificates).

2. Registered and Inscribed Stock.

In the case of registered stock, notification for conversion must be made directly to the administration which issued the stock, instead of through a Bank. The administration will make the necessary arrangements.

In the case of inscribed Stock, the State departments concerned will themselves convert the Mark Debts into Liquidation Debt, without application from the creditor. They will inform the holder of the steps taken. They will grant participation rights if proof of old possession is immediately clear from Stock Book entries. Otherwise, the holder must make application supported by proof within a time-limit to be fixed later.

Preferential Annuities (Vorzugsrenten).

Persons wishing to obtain a preferential annuity must first apply for the delivery of participation rights under the conditions set forth above.

They must then apply to a District Relief Office (Bezirksfürsorgestelle). This Office will investigate the applicant's circumstances. It will communicate the results of its investigations to a Committee for preferential annuities (Ausschuss für Vorzugsrenten) which will decide whether the annuity is to be granted. Should the application be rejected, the applicant may appeal to a Central Committee for preferential annuities (Oberausschuss für Vorzugsrenten) whose decision will be final. If the application is admitted, the Committee for preferential annuities will transmit it, duly approved to the Reichsschuldenverwaltung.

The Reichsschuldenverwaltung will then combine the application for participation rights and the application for a preferential annuity and will transmit to the applicant a registered certificate.

The applicant will receive no bonds of the new Debt, nor drawing certificates, which will only be issued to him or to his heirs if his annuity is withdrawn (disappearance of necessitous circumstances, death, etc.)

Observations.

The entire procedure set forth above is independent of any other regulations; holders of Mark Loans may not appeal to ordinary Courts of Law.

Foreign holders.

The procedure to be followed by nationals of foreign countries for the notification of their rights as old holders is similar to that set forth above. Decisions are pronounced

by the Commissioner of the Reich. The Government of the Reich will send to the principal countries and to the Saar special Commissioners who will establish Loan Liquidation Offices (Anleiheablösungsstellen). These Offices will receive applications. In less important districts, applications will be received through the Legations or Consulates of the Reich.

(Signed) DRILLIEN.

From the French
Translation - BWS
Checked - RB
EP.

I.I.9.331. Doc.144.

BERLIN, October 6, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE

DURING THE MONTH OF AUGUST 1925.

(see Doc. No.123).

The receipts and payments of the Reichshauptkasse for the month of August 1925 amount to the following figures:

Receipts.....	557.8	million R.M.
Payments.....	603.8	" "
Deficit.....	-46.0	" "

The deficit since the beginning of the financial year amounts to 21.1 million R.M.

1. RECEIPTS.

The receipts for August are composed of

a) Receipts from taxation collected during the month..... 523.4 million R.M.

minus receipts from controlled revenues for August not yet retransferred to the Reichshauptkasse..... 162.6 " "

Carry forward... 360.8

Brought forward.....	360.8	million R.M.
plus receipts from controlled revenues for July, retransferred to the Reichshauptkasse in August..... +	174.6 (1)	" "
or a total of.....	535.4	" "
b) Administrative receipts collected during August.....	22.4	" "
total:	557.8	" "

II. PAYMENTS.

The payments are made up as follows:

a) General administrative expenditure (including expenses in connection with the execution of the Peace Treaty).....	360.7	million R.M.
b) Transfers of taxes to the States and Communes.....	243.1	" "
Total payments.....	603.8	" "

From the French
Translated - JMP
Checked - RB
AA

M.H.

(1) The figure of R.M.174.6 millions indicated in the Reichshauptkasse Statement is R.M.0.2 millions higher than the figure indicated in the table of tax receipts and the Reichshauptkasse Statement for July 1925 (RM.174.4 millions).

I.I.9.3121 Doc. 145

Berlin, October 6, 1925.

TRANSFER COMMITTEE.

EDONOMIC SERVICE.

TAX RECEIPTS OF THE REICH

FOR THE MONTH OF AUGUST 1925.

(see Doc. No. 130.)

Below will be found the figures for the receipts from the principal categories of taxation for the month of August 1925, as well as for the preceding months and quarter.

	Estimated receipts		Receipts collected				
	Fin. Yr. 1925/26	Monthly Average	Monthly Averages: Fin. Yr. 1924/25	Monthly Averages: 1st Qr. Fin. Yr. 1925/26	July 1925	August 1925	From Apr. 1, 1925 to Aug. 31, 1925
	(in millions of R.M.)						
I. Taxes on income, sales, transport, etc.							
a) recurring	4 663	388.6	473.8	451.7	528.6	353.3	2 237.0
b) non-recurring	66	5.5	6.6	5.8	2,7	1.6	21.6
II. Customs & taxes on beer, tobacco, etc.							
c) assigned	1 425.3	118.8	119.0	140.0	174.4	162.8	757.4
d) other	89.5	7.4	10.2	10.7	7.9	5.6	45.6
III. Miscellan.	-	-	0.6	0.1	-	0.1	0.4
IV. Estimated surplus	100	8.3	-	-	-	-	-
Total	6 343.8	528.6	610.2	608.3	713.6	523.4	3 062.0

The receipts for the month of July were exceptionally heavy through the application of the new laws on the payment of taxation. The decrease in the August receipts as compared with July is very largely due to the effect of these new laws, as will be shown below. Substantial fluctuation in the figures for tax receipts for the months of any one quarter must be expected periodically in the future.

Details of the receipts from taxes on income, sales, transport, etc., are given below.

	Estimated receipts		Receipts collected				
	Fin. Yr. 1925/26	Monthly Average	Monthly Averages: Fin. Yr. 1924/25	Monthly Averages: 1st Qr. Fin. Yr. 1925/26	July 1925	August 1925	From Apr. 1, 1925, to Aug. 31, 1925.
	(in millions of R.M.)						
Income tax							
a) on wages	-	-	111,0	131.7	119.2	115.0	629.3
b) on income from capital	-	-	1.6	13.1	9.9	3.2	52.5
c) on other forms of income	-	-	71.8	63.8	131.4	36.5	359.2
Together	1 700.0	141.7	184.4	208.6	260.5	154.7	1 041.0
Corporation Tax	300.0	25.0	26.2	18.2	29.8	5.4	89.8
Tax on Real and Personal Property	500.0	41.7	41.6	22.3	7.0	5.5	79.7
Turnover Tax							
a) ordinary	1 380.0	115.0	149.9	123.6	145.7	117.1	633.5
b) extraordinary (luxury)	120.0	10.0	9.9	9.2	8.8	7.7	44.1
Tax on Bourse Transactions	96.0	8.0	9.4	4.8	4.7	3.7	23.0
Transport Tax	282.0	23.5	26.0	27.1	31.0	30.9	143.0
Other taxes	285.0	23.7	26.4	37.9	41.1	28.3	182.9
Total	4 663.0	388.6	473.8	451.7	528.6	353.3	2237.0

The low figure for receipts from taxation on other forms of revenue (categories given above), corporation tax and tax on real property is due to the fact that no anticipatory payment was made during the month of August (see Doc. No. 130).

The receipts from the ordinary Turnover Tax which were exceptionally high in July (145.7 million R.M.) owing to the quarterly amounts falling due for payment, were 117.1 million R.M. in August, which is approximately what they were in June (117.7 million R.M.).

The following table shows the figures for the receipts from the assigned revenues.

	Estimated receipts		Receipts collected				
	Fin. Yr. 1925/26	Monthly Average	Monthly averages Fin. Yr. 1924/1925	Monthly averages 1st Qr. Fin. Yr. 1925/1926	July 1925	August 1925	From Apr. 1, 1925 to Aug. 31, 1925.
	(in millions of R.M.)						
Customs	356.1	29.7	29.7	37.2	57.9	40.0	209.5
Tobacco Tax	560.2	46.7	42.8	50.7	55.3	54.0	261.5
Beer Tax	174.0	14.5	16.4	21.7	23.6	31.3	120.0
Sugar Tax	185.0	15.4	18.3	20.3	28.2	29.1	118.2
Spirits monopoly	150.0	12.5	11.8	10.1	9.4	8.4	48.2
Total	1 425.3	118.8	119.0	140.0	174.4	162.8	757.4

The decrease in customs receipts for the month of August explains the decrease in the whole of the receipts for the assigned revenues for August as compared with July. It will be recalled that the July figure for customs receipts was exceptionally high through the payments of certain half yearly amounts.

Marcel HEROIN.

From the French
Translated - GHL
Checked - NL.

I.I.9. 34 Doc. 146.

BERLIN, October 9, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT JUNE 30, JULY 31, & AUGUST 31, 1925.

(See Doc. 110)

The attached table shows the public debt of the Reich as at June 30, July 31 and August 31, 1925 (see Wirtschaft und Statistik Nos. 15, 17 and 18).

Total figure of the debt as at	millions of RM	Reduction during the months of	millions of RM
May 31, 1925	2 714.1		
June 30, "	2 659.3	June	54.8
July 31, "	2 632.6	July	26.7
August 31,"	2 582.1	August	50.5

During the month of June the debt decreased by RM 54.8 millions. In particular:

the item "Guarantees" fell by RM 41 millions as a result of the repayment of the balance of the debt contracted in Norway during the war for the supply of fish (57.65 million crowns). The guarantee of the Reich has thus been paid off;

the amount of 6 per cent Treasury Bonds redeemable 1935 fell by RM 1 million;

the equivalent in RM of the External Loan fell by RM 4 millions as a result of regular payments to sinking fund and of the fluctuations in the rates of the foreign exchanges (in particular of the Italian lira).

The debt of the Reich to the Rentenbank was reduced by RM 8.8 millions, since RM 8.8 millions representing the payments of interest by the mortgagors were assigned to the Sinking Fund constituted at the Reichsbank for the withdrawal of Rentenbank notes.

During the month of July the total figure of the debt showed a further decrease of RM 26.7 millions.

The debt of the Reich to the Rentenbank was reduced by RM 19.8 millions. This sum was composed as follows:

RM 3.1 millions from payments of interest by the mortgagors,

RM 15 millions representing the quarterly contribution of the Reich to the Sinking Fund,

RM 1.7 millions representing the balance of the January instalment.

The equivalent in RM of the External Loan fell by RM 2 millions as a result of regular payments to sinking fund and of fluctuations in foreign exchange;

The item "Guarantees" showed a further decrease of

RM 4.9 millions.

During the month of August the total figure of the debt fell by RM 50.5 millions.

The reduction in the item "Treasury Bonds" (RM 47.1 millions) was largely due to the repayment of 46 millions of E.Bonds which matured during that month. The 6 per cent bonds redeemable 1935 and 1932 showed a reduction of RM 1 million and 0.1 million respectively.

The debt of the Reich to the Rentenbank was reduced by RM 1.6 millions. This sum represents the interest paid by the mortgagors and assigned to the Sinking Fund.

The equivalent in RM of the External Loan fell by RM 2 millions as a result of regular payments to Sinking Fund. The Italian tranche however showed an increase of RM 0.4 millions due to the recovery of the Lira.

The item "Guarantees" shows an increase of RM 0.2 millions.

(Signed) MARCEL HEROIN.

From the French
Translated - JMP
Checked - RB

PUBLIC DEBT OF THE REICH

(in millions of RM)

	May 30 1925	June 30 1925	July 31 1925	August 31 1925
I. Treasury Bonds				
6 per cent redeemable in 1935	22.0	21.0	21.0	20.0
6 per cent redeemable in 1932	1.4	1.4	1.4	1.3
"K" Bonds.....	1.4	1.4	1.4	1.4
"E" Bonds.....	217.0	217.0	217.0	171.0
Reichsmark Drafts....	30.0	30.0	30.0	30.0
Total	271.8	270.8	270.8	223.7
II. Debts to Banks				
Rentenbank	1139.8	1131.0	1111.2	1109.6
Reichsbank	226.5	226.5	226.5	226.5
Total:	1366.3	1357.5	1337.7	1336.1
III. External Loan				
110 million dollars	451.2	449.7	448.1	446.6
21.36 million pounds sterling	432.1	431.6	430.6	429.8
25.2 " crowns	28.1	28.1	28.1	28.0
100 " lire	16.6	14.6	15.2	15.6
15 " Swiss francs	12.1	12.1	12.1	12.0
Total:	940.1	936.1	934.1	932.1
IV. Other Debts				
Other Commitments	18.6	18.6	18.6	18.6
Guarantees.....	108.3	67.3	62.4	62.6
Loans to Agriculture (Meliorationskredit)	9.0	9.0	9.0	9.0
Total:	135.9	94.9	90.0	90.2
GRAND TOTAL...	2714.1	2659.3	2632.6	2582.1

I.I.9. 442 a.- Doc. 147

BERLIN, October 9, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE REVALORISATION OF PRIVATE CLAIMS EXPRESSED IN PAPER MARKS.

Below is an analysis of the Law of July 16, 1925, on the revalorisation of private claims expressed in paper marks (Aufwertungsgestz).

It will be recalled that before the promulgation of the Law the question of revalorisation was regulated by the Third Steuernotverordnung (Emergency Tax Decree) of February 14, 1924 and the Decrees in execution of that Decree. The constitutional force of the emergency legislation was for a long time questioned, but was confirmed by a Decree issued by the President of the Reich on December 4, 1924. This Decree, however, stipulated that the provisions of the Third Steuernotverordnung should only remain in force "until the definitive settlement of the question through ordinary legislative channels".

Although it is still keenly criticised, the settlement of the Law of July 16, 1925, would appear to be definitive.

I. GENERAL PROVISIONS

Claims in respect of legal relations which arose before

February 14, 1924 (the date of the coming into force of the Third Steuernotverordnung) will be revalorised if they involve the payment of a definite sum of money expressed in marks (1).

Revalorisation naturally does not take place if the gold mark value of the mark claim is equal to, or greater than, its revalorisation value under the Law.

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The claims thus defined are revalorised at various rates which we indicate below, on a basis of their gold marks amount on the date of acquisition (2) (Goldmarkbetrag).

In the case of claims acquired before January 1, 1918, the gold mark amount is the nominal amount. The gold mark value of mark claims acquired later than December 31, 1917, is established in accordance with a ratio of conversion given in the Annex to the Law, which corresponds to an average between the dollar rate and the index figure for the cost of living.

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(1) In virtue of the Decree of December 12, 1924, the word "mark" means paper mark; the new currency is termed the "Reichsmark".

(2) For industrial debentures, mortgage bonds, etc. the amount in Gold Marks is calculated at the rate of the day of issue.

II. SPECIAL PROVISIONS

a) Revalorisation of Mortgage Rights.

It will be recalled that German Law distinguishes between the mortgage, which is a real right imposed directly on real estate, and the personal claim guaranteed by the mortgage.

This explains why, from the point of view of revalorisation, the mortgage and the personal claim which it guarantees cannot be treated in the same manner.

Mortgage. Revalorisation amount. Under the Law of July 16, 1925 mortgages are revalorised at 25 per cent of the gold mark amount (Third Steuernotverordnung - 15 per cent) on the date of entry in the Land Register.

For reasons of equity, this rate may be reduced to not less than 15 per cent, if application is lodged with the Revalorisation Office (Aufwertungsstelle) (1) before April 1, 1926.

Rank of Revalorised Mortgage. The revalorised mortgage retains its former rank.

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(1) As a general rule the Amtsgericht (Lower Court) performs the duties of the Revalorisation Office. The Governments of the States may, however, decide to entrust these duties to other State organisations; they may also authorise the Amtsgericht to delegate part of its duties to notaries (Decree on the creation and procedure of Revalorisation Offices - July 21, 1925, Reichsgesetzblatt I. p. 154).

Nevertheless, if new mortgages have been acquired and registered between February 14 and October 1, 1924, they will rank before the additional 10 per cent revalorisation for which provision is made in the Law.

Owner's Mortgage. In order to protect the credit of the owners of mortgaged property, the following clauses were inserted in the Law of July 16, 1925.

The owner shall be entitled to register for himself a mortgage on his property, ranking after the first revalorised mortgage, to the amount of 25 per cent of the gold mark amount (gold value on the date of acquisition) of the first mortgage.

Moreover, if the gold mark amount of the second revalorised mortgage is to its full extent within the limits of security laid down for the investment of trust money (half the value fixed for the Wehrbeitrag in the case of urban property), the owner has the right to register for himself a second mortgage on his property to the amount of 25 per cent of the gold mark amount of the second revalorised mortgage.

Any further revalorisation mortgages will rank after this second owner's mortgage.

The following example will make this clear :

Property to the value of 1 000 000 RM (Wehrbeitrag value) is burdened with 3 pre-war mortgages (the gold mark amount and

the nominal value are then the same), one for 500 000 marks, the second for 200 000 marks and the third for 100 000 marks. After revalorisation, if the owner makes use of his rights, the charges on the property will be as follows:

a) first revalorisation mortgage	125 000 RM
b) first owner's mortgage	125 000 RM
c) second revalorisation mortgage (the gold mark amount of this mortgage is less than half the value of the property)	50 000 RM
d) second owner's mortgage	50 000 RM
e) third revalorisation mortgage	25 000 RM

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Generally speaking, these claims are revalorised at the same rate (25 per cent) as the mortgages on which they are secured.

Nevertheless, in certain cases for which provision is expressly made in the Law (claims based on company contracts claims for maintenance, claims for purchase money (1)), a higher or lower revalorisation of the personal claim is fixed in accordance with general rules of law.

However, in the case of claims for purchase money, the revalorisation may not exceed 75 per cent if the claim was

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(1) In this case, the claim must have been established since December 31, 1908.

established before January 1, 1912, or 100 per cent if the claim was established before January 1, 1922 (1).

A departure from the normal maximum rate is only permissible if application therefor is lodged with the Revalorisation Office (Aufwertungsstelle) before April 1, 1926.

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Even where payment has been effected, a mortgage claim (mortgage and personal claim) may be revalorised if the creditor reserved his rights when payment was accepted. If the creditor accepted payment during the period from June 15, 1922, to February 14, 1924, he may obtain revalorisation, even if he did not reserve his rights when accepting payment. In both cases the gold value of the sums repaid must be deducted from the amount of the revalorised claim.

The above provisions will only apply if application is made to a Revalorisation Office before January 1, 1926.

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nterest.

Payment of the revalorised mortgage claim may not be demanded before January 1, 1932.

The owner (or debtor) has, however, the right to pay off his debt, together with any interest due, before that date, subject to three months notice being given.

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(1) The object of this provision is to enable persons who sold their property for absurdly low sums during the Inflation to claim from the purchaser payment of an additional sum more in conformity with the value of the property.

Where application is lodged before January 1, 1927, the Revalorisation Office may decide that repayment will be made in instalments, the whole amount to be paid off not later than January 1, 1938.

On the other hand, where the creditor is in difficult circumstances and the economic position of the owner (or debtor) will not be appreciably embarrassed thereby, the Revalorisation Office may, upon application by the creditor submitted before April 1, 1926, order repayment to be made, either entirely or in part, before the date of maturity, but in no case before January 1, 1926. The creditor will not receive interest before January 1, 1925. The rate of interest is fixed at :

1.2 per cent as from January 1, 1925

2.5 per cent as from July 1, 1925

3 per cent as from January 1, 1926

5 per cent as from January 1, 1928

Where postponement of payment to a date after January 1, 1932, is granted, the rate of interest will be fixed by a Decree of the Government of the Reich.

b) Revalorisation of Industrial Debentures and similar categories of Bonds expressed in Marks

The rate of revalorisation for industrial debentures is

still 15 per cent (1), as fixed by the Third Steuernotverordnung.

The reduction of this rate may be claimed before April 1, 1926 "to avoid serious injustice".

Even where payment has been effected, revalorisation will take place if the creditor reserved his rights when payment was accepted.

The regulations laid down with regard to reimbursement, payment of interest, etc. for mortgage claims will apply here also.

ight to upplement- ry Divi- ends (Ge- ussrecht)

Holders with old possession (securities acquired before July 1, 1920, and held uninterruptedly since that date) are granted special advantages in addition to normal revalorisation.

Such holders receive supplementary dividend rights (Genussrechte) which entitle them, under the conditions indicated below, to participate in the net profits of the debtor or in any liquidation proceeds. 10 per cent of the gold value of the mark securities with old possession is the nominal amount of the right to a supplementary dividend.

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(1) According to the Decree of August 10, 1925 (Decree on the Declaration, Proof and Preclusion of Rights in respect of Industrial Debentures and similar categories of Bonds - Reichsgesetzblatt I p.187) application for revalorisation had to be made before September 30, 1925. This time-limit has now been extende for two months.

Bonds for which the privileges of old possession are claimed must be notified to the debtor by the "old" holder - together with proof of his old possession - within one month from the publication of a summons to this effect by the debtor in the Reichsanzeiger.

articipation f supplement- ry dividend ights in the rofits of ndertakings.

The participation in the profits of undertakings will be calculated as follows:

A sum equal to 6 per cent of the capital is first allocated for distribution among the shareholders (or partners); for each additional 1 per cent paid to the shareholders (or partners), 2 per cent will be allocated to the holders of supplementary dividend rights - until the sums due to these holders represent 6 per cent of the total nominal value of the rights.

Example

A joint-stock company has a capital of 1 000 000 RM; the nominal value of the supplementary dividend rights is 25 000 RM; the profits realised amount to 100 000 RM, and must be distributed as follows:

6 per cent to the shareholders	60 000 RM
balance	40 000 RM
3 per cent additional dividend to shareholders	30 000 RM

(The supplementary dividend rights should receive 6 per cent, or 60 000 RM; but the sum attributed to them must not exceed 6 per cent of their nominal value. They will therefore receive

$\frac{25\ 000 \times 6}{100} = 1\ 500$ RM) 1 500 RM

The balance of 8 500 RM will be carried forward to the next financial year

In the event of the liquidation or dissolution of an undertaking, the net assets are distributed between the shareholders (or partners) of the one part amd the holders of supplementary dividend rights of the other in accordance with the conditions indicated above for the distribution of profits over and above 6 per cent, until the rights have been repaid at their nominal value.

c) Revalorisation of Mortgage and similar Bonds.

The provisions of the Law of July 16, 1925, concerning the revalorisation of mortgage bonds, Rentenbriefe, Communal bonds, etc. do not differ on essential points from those of the Third Steuernotverordnung.

The assets to be distributed are composed of assets set aside as cover for the revalorised mortgage bonds, Rentenbriefe, etc., and in some cases a contribution from the debtor; they are distributed between the holders in proportion to the gold value of their securities.

Even where payment has been effected, the mortgage bonds may be revalorised if the rights of the creditor were reserved when payment was accepted.

The debtor may deduct a sum not exceeding 10 per cent from the assets for distribution towards administrative costs.

d) Revalorisation of Savings Bank Assets.

In the case of the revalorisation of assets in Savings Banks, the Law merely fixes general regulations; it leaves the detailed arrangements to the Federal States.

As in the case of mortgage Bonds, assets for distribution are constituted. These assets have to be distributed among the creditors by a Trustee. The plan of distribution requires the approval of the Supreme Authority of the Federal State.

Under the plan, the creditors must in every case receive at least 12 1/2 per cent of the gold value of their claims and where possible a percentage equal to the revalorisation rate fixed for the loans of the debtor or of his guarantor (communes, associations of communes).

If, for example, a Savings Bank has revalorised a Mark Loan contracted before the War at 25 per cent, its assets must likewise be revalorised at 25 per cent.

Assets already distributed will be considered in the distribution under the Law, if the creditor reserved his rights

when payment was accepted. The gold value of such payment will be deducted from the revalorisation amount of the claim.

e) Revalorisation of Insurance Claims.

The Law of July 16, 1925, does not contain detailed regulations on this question, which will be dealt with in Ministerial Decrees.

No minimum rate is fixed for the revalorisation, which will be effected by the distribution among the claimants of a revalorisation Pool (Aufwertungsstock) administered by a Trustee.

f) Revalorisation of Other Claims.

Generally speaking, claims other than those enumerated above are revalorised in accordance with general rules of law.

Exceptions to this general rule

Claims in respect of invested assets (Vermögensanlagen). The revalorisation rate for claims in respect of invested assets which do not come within any of the categories enumerated above may not exceed 25 per cent. The term "invested assets" does not include claims based on company contracts or other share relationships, claims based on relationships arising out of arrangements between co-heirs, claims for maintenance, assets in Factory Savings Offices (Fabriksparkassen) or Workshop Savings Offices (Werksparkassen), etc.

Current accounts and Bank assets

Current account balances (including postal cheque accounts) and deposits in Banks will not be revalorised, except in cases where an employee has deposited money with his employer. On the other hand where Bank deposits are based on a former business participation and have existed as such for more than five years, they will be revalorised like invested assets.

III. ESTIMATED AMOUNT OF THE TOTAL REVALORISED MORTGAGE DEBT

The Memorandum published by the Finance Ministry at the beginning of 1925 on the question of Revalorisation estimated the approximate gold value of the mark mortgages affected by the Third Steuernotverordnung at 24 milliard gold marks (1).

The Third Steuernotverordnung, however, did not provide for the revalorisation of mortgages already repaid. In order to ascertain the gold value of the mortgages subject to revalorisation under the Law of July 16, 1925, the following must be added to the above figure:

---

(1) This figure should be considerably increased as a result of the alterations made by the Law of July 16, 1925, for the calculation of the gold value of mortgages acquired since the beginning of 1918. Under the Third Steuernotverordnung the gold value was calculated on a basis of the dollar; under the Law of July 16, 1925, it is calculated on a basis of an average between the dollar rate and the index figure for the cost of living.

1. the gold value of the mark mortgages repaid between June 15, 1922 and February 14, 1924, even where the creditor did not reserve his rights when payment was accepted;

2. the gold value of the mortgages repaid before June 15, 1922, where the creditor reserved his rights when payment was accepted.

We have no means of estimating the value of the mortgages coming under paragraph 2 above. Their total amount cannot be considerable, for the practice of reserving the rights of creditors does not appear to have become general until 1923.

On the other hand, it is possible approximately to estimate the value of the mortgages coming under paragraph 1 above.

According to the Memorandum of the Finance Ministry mentioned above, the gold value of the Mortgages repaid was

14 000 000 000 gold marks in 1923 and
8 000 000 000 gold marks in 1922.

The gold value of the mortgages repaid between June 15, 1922, and February 14, 1924, must be roughly

$$14 + \frac{8}{2} = 18 \text{ milliard gold marks}$$

The gold value of the mortgages to be revalorised under the Law of July 16, 1925, would thus be approximately

24 + 18 = 42 milliard gold marks.

As the normal rate of revalorisation is 25 per cent, the revalorised debt would amount in round figures to

10 milliard RM.

G. DRILLIEN

From the French
Translated - BWS
Checked - RB
EL

I.I. 4133 Doc.148

BERLIN, October 14, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE BALANCE SHEET OF THE RENTENBANK AS ON SEPTEMBER 30, 1925

(see Doc. No.138)

The following is the comparison between the balance sheet of the Rentenbank as on September 30, 1925 and the balance sheet as on August 31, 1925.

A S S E T S	Balance sheet of September 30, 1925. In R.M.	Difference compared with that of August 31, 1925. In R.M.
Charges upon German agriculture	2 000 000 000	
Rentenbriefe as on Aug.31,1925;RM 1 999 844 000 as on July30,1925;RM 1 999 844 000		
Loans to the Reich	1 108 781 624.46	- 827 135.19
Outstanding credits (including 9 million RM granted to the Reich for clearing ground for agricultural purposes)	780 334 583.57	
Balance in hand ; Giro accounts, Postal cheque accounts and cash in hand.	96 684 104.78	+ 3 961 981.70
Office furniture and supplies	17 306.75	+ 1 441.80
Miscellaneous assets.	-	-

LIABILITIES	Balance sheet of September 30, 1925. In R.M.	Difference compared with that of August 31, 1925. In R.M.
Capital	2 000 000 000	
Rentenbank notes in circulation	1 833 351 693	- 827 135
Redemption of Rentenmarks in conformity with § 7c of the Law on the Liquidation of Rentenbank notes	55 608 514.68	
Rentenbriefe in circulation	156 000	
Credit of the Rentenbank Credit Institution.	10 376 329.24	- 2 478 654.45
Reserves	5 746 723.95	- 50 000
Miscellaneous liabilities	912.50	- 387.50

In conformity with § 7c of the Law on the Liquidation of Rentenbank Notes, 827 135,19 RM, representing interest paid by the mortgagors, have been paid into the Sinking Fund at the Reichsbank. "Loans to the Reich" and "Rentenbank notes in circulation" have fallen accordingly.

Since the Law on the Liquidation of Rentenbank Notes came into operation, the following sums have been paid in to the Sinking Fund.:

Rent M.	46 218 375.54	under	§ 7a of the Law.
"	45 000 000	"	" 7b " " "
"	55 608 514.68	"	" 7c " " "
"	100 000 000	"	" II " " "

or a total of 246 826 890.22

From the French
Translated - GHL
Checked - NL
GS.

I.I. 9.3121 Doc. 149

BERLIN, October 22, 1925

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH - MONTH OF SEPTEMBER 1925.

(See Doc. No.145)

The statement of the receipts from taxation for the month of September 1925 is given in the Deutscher Reichsanzeiger No. 244. Below will be found the usual table of the receipts from the principal categories of taxation for that month, as well as for the preceding months and quarter.

	Estimated receipts		Receipts collected					
	Fin.Yr 1925/26	Monthly Average	Monthly Averages Fin.Yr 1924-1925	1st. qr. 1925-1926	2nd. qr. 1925-1926	August 1925	Sept. 1925	From Apl. 1, to Sept 30, 1925.
	(in Millions of Reichsmarks)							
I. Taxes on Real & Personal Property & circulation								
a) recurring	4 663.0	388.6	473.8	451.7	405.8	353.3	335.7	2 572.7
b) non recurring	66.0	5.5	6.6	5.8	2.4	1.6	2.8	24.4
II. Customs & Taxes on consumption								
a) assigned	1 425.3	118.8	119.0	140.0	170.7	162.8	175.0	932.4
b) other	89.5	7.4	10.2	10.7	7.3	5.6	8.5	54.1
III. Miscellaneous			0.6	0.1	0.1	0.1		0.5
IV. Surplus of receipts	100.0	8.3						
Total	6 343.8	528.6	610.2	608.3	586.3	523.4	522.0	3 584.1

At the end of the month of September 1925, the receipts collected amounted to 3 584.1 million RM, and exceeded the estimated receipts for the half year ($\frac{6\ 343.8}{2}$ = 3 171.9 millions RM) by 412.2 millions or approximately 13 per cent.

This increase is distributed very unevenly over the various categories of taxation. By adding the proportion of the excess in each category to the receipt figure estimated for such category, allowing for the anticipated surplus of 100 million RM, distributed in proportion to the relative importance of the categories, the following table is given :

	Estimates	Receipts collected during a half year	Increase realised	Percentage
	(in millions of Reichsmarks)			
Taxes on Real and Personal Property and circulation				
a) recurring	2 368.8	2 572.7	+ 203.9	+ 8.6
b) non recurring	33.5	24.4	- 9.1	- 27.2
Customs & Taxes on consumption assigned	724.0	932.4	+ 208.4	+ 28.7
Miscellaneous	45.5	54.1	+ 8.6	+ 18.9

The chief increase therefore is shown in the Customs receipts and the assigned taxes upon consumption.

During the second half of the financial year the application of the new Tax Laws will probably involve some decrease in receipts, especially in connection with permanent taxes on property and circulation.

The receipts for the month of September are on the whole substantially the same as those for the month of August. A decrease in receipts from taxes on property and circulation, and an increase in the receipts from Customs and Assigned Revenues may however be noted.

This is also shown by a comparison between the monthly averages of the receipts for the first two quarters of the financial year.

The following table shows the receipts from permanent taxation on property and circulation.

	Estimated receipts		Receipts collected					
	Fin.Yr. 1925-1926	Monthly average	MONTHLY AVERAGES Fin.Yr. 1924-1925	1st qr. 1925-1926	2nd qr. 1925-1926	August 1925	Sept. 1925	From Apl. 1, to Sept. 30, 1925
	(in Millions of Reichsmarks)							
Income Tax								
a) on wages			111.9	131.7	118.2	115.0	120.4	749.7
b) on income from capital			1.6	13.1	5.2	3.2	2.6	55.1
c) on other forms of income			71.8	63.8	63.2	36.5	21.7	380.9
Together	1 700.0	141.7	181.4	208.6	186.6	154.7	144.7	1 185.7
Corporation Tax	300.0	25.0	26.2	18.2	13.0	5.4	3.9	93.8
Tax on Real & Personal Property	500.0	41.7	41.6	22.3	5.5	5.5	4.1	83.7
Turnover Tax								
a) ordinary	1 380.0	115.0	149.9	123.6	126.3	117.1	116.0	749.5
b) extraordinary (luxury)	120.0	10.0	9.9	9.2	7.4	7.7	5.7	49.8
Tax on Bourse Transactions	96.0	8.0	9.4	4.8	4.1	3.7	3.9	26.9
Transport Tax	282.0	23.5	26.0	27.1	31.0	30.9	31.0	174.1
Other taxes	285.0	23.7	26.4	37.9	31.9	28.3	26.4	209.2
Total	4 663.0	388.6	473.8	451.7	405.8	353.3	335.7	2 572.7

No anticipatory payment in respect of taxes on "Other forms of income", "Corporations", or "Real and Personal Property", was made during

the month of September (see Doc. 145). This fact explains the low figures for receipts from these taxes in the tables. Anticipatory payments for the first two categories will not begin until October, and for the Tax on Real and Personal Property on November 15th.

Receipts accruing from deductions from wages and salaries show an increase of 5.4 million RM over those for August. The new regulations for the calculation of deductions on account of family responsibilities (see Doc. 132) do not come into force until October 1.

A note in the Deutscher Reichsanzeiger states that in virtue of the Steuerüberleitungsgesetz, a rebate of one million in respect of Income Tax and 0.4 million in respect of Corporation Tax was made during the month of September, representing excess amounts levied during the previous year (see Doc. 104).

The receipts for the Turnover Tax in September are practically the same as for August. The rate of 1.5 per cent was again applied in September. This rate, it will be remembered, is to be reduced to 1 per cent in October.

It merely pointed out that the receipts from the "Tax on Wages" and the "Turnover Tax", which from the fact that they are collected regularly give a more or less accurate picture of the general economic situation, show no appreciable fluctuation in September and indicate no increase in unemployment or falling off in business activity.

A comparison between the monthly averages for the two first quarters of the financial year shows that the decrease observed in the

receipts for the second quarter is mainly due to lower receipts from the Tax on Real and Personal Property (no anticipatory payments), on Wages (decrease due to the fixing of 80 RM, instead of 60 RM, per month as from June 1 for the proportion of earnings exempt from taxation) and Corporation Tax (decrease which appears to be due in part to the application of the new Laws on the payment of taxation - see Doc. 145).

The following table shows the figures for the receipts from Customs and Assigned Taxes on consumption.

	Estimated Receipts		Receipts collected					
	Fin.Yr. 1925-1926	Monthly average	Monthly averages Fin.Yr. 1924-1925	1st qr. 1925-1926	2nd qr. 1925-1926	August 1925	Sept 1925	From Apl. 1, to Sep 30, 1925
	(in Millions of Reichsmarks)							
Customs	356.1	29.7	29.7	37.2	49.3	40.0	50.1	259.6
Tobacco Tax	560.2	46.7	42.8	50.7	57.5	54.0	63.0	324.5
Beer Tax	174.0	14.5	16.4	20.3	26.3	31.3	24.1	144.1
Sugar Tax	185.0	15.4	18.3	21.7	28.0	29.1	26.8	145.0
Alcohol monopoly	150.0	12.5	11.8	10.1	9.6	8.4	11.0	59.2
Total	1 425.3	118.8	119.0	140.0	170.7	162.8	175.0	932.4

There has been a more or less constant increase in the figure for these receipts. The figure of 175 RM reached in September is the highest that has been obtained so far. The receipts for July last were only 174.4 million RM.

From the French
Translated - GHL
Checked - RB
EL.

M.H.

I.I.9.331. Doc. No.150

BERLIN, October 22, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE

DURING THE MONTH OF SEPTEMBER 1925.

(see Doc. No. 144)

The receipts and payments of the Reichshauptkasse for the month of September 1925 amount to the following figures:

Receipts	.....	539.1	million RM.
Payments	.....	633.0	" "
Deficit		93.9	" "

The deficit since the beginning of the financial year amounts to 115.0 million RM.

The 30 million of Treasury Bonds in circulation (working capital of the Reichshauptkasse) were repaid during the month of September.

I. RECEIPTS.

The receipts for September are composed of

		million RM.
a)	Receipts from taxation collected during the month	522.0
	minus receipts from controlled revenues for the month not yet re-transferred to the Reichshauptkasse.....	- 175.0
	plus receipts from controlled revenues for August, re-transferred to the Reichshauptkasse in September.....	+ 162.6
	or a total of	509.6
b)	Administrative receipts collected during September	29.5
		539.1

II. **PAYMENTS.**

The payments are made up as follows:

a)	General administrative expenditure (including expenses in connection with the execution of the Peace Treaty)	408.1
b)	Transfers of taxes to the States and Communes	167.1
c)	Payments in respect of reparation.....	57.8
	Total payments	633.0

Explanations accompanying the statement of the Reichshauptkasse mention that "for the first time, payments were made in September in respect of reparation from the proceeds of the tax on transports and from the budget of the Reich."

M.H.

From the French
Translated - GHL.
Checked - NL.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE APRIL 1, 1925.

(in millions of R.M.)

RECEIPTS.

	Fiscal receipts	Administrative receipts.	Total.
April 1925	651.9	16.4	668.3
May "	618.3	11.4	629.7
June "	543.8	3.1	546.9
July "	689.6	3.1	692.7
August "	535.4	22.5	557.9
September "	509.6	29.5	539.1
Total	3 548.6	86.0	3 634.6

PAYMENTS.

	General Administration.	Transfers to States and Communes.	Reparation Payments.	Total.
April 1925	415.7	234.0	-	649.7
May "	408.8	238.2	-	647.0
June "	362.2	224.1	-	586.3
July "	405.7	224.1	-	629.8
August "	360.7	243.1	-	603.8
September "	408.1	167.1	57.8	633.0
Total	2 361.2	1 330.6	57.8	3 749.6

SURPLUS (+) OR DEFICIT (-)

April 1925.	+ 18.6
May "	- 17.3
June "	- 39.4
July "	+ 62.9
August "	- 45.9
September "	- 93.9
Total	- 115.0

I.I. 9.4133

Doc. 151

BERLIN, November 12, 1925

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE BALANCE SHEET OF THE RENTENBANK AS ON OCTOBER 31,1925

The following is the comparison between the balance sheet of the Rentenbank as on October 31, 1925, and the balance sheet as on September 30, 1925.

	Balance sheet of Oct. 31, 1925.	Difference as compared with that of Sept. 30, 1925. (+ or -)
A S S E T S		
arges upon German Industry	2 000 000 000	
ntenbriefe as on Sept.30, 1925; RM 1 999 844 000 as on Oct. 31, 1925; RM 1 999 844 000		
ans to the Reich	1 091 836 101.30	- 16 945 523.16
utstanding credits (including 9 million RM granted to the Reich as credits for clearing ground for agricultural purposes)	780 334 583.57	
lance in hand; Giro accounts and Postal cheque accounts; and cash in hand	103 017 829.33	+ 6 333 724.55
ffice furniture and supplies	43 730.75	+ 26 424
iscellaneous assets	-	-
L I A B I L I T I E S		
pital	2 000 000 000	-
ntenbank notes in circulation	1 816 406 170	- 16 945 523

Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank Notes	55 608 514.68		-
Rentenbriefe in circulation	156 000		-
Credit of the Rentenbank Credit Institution	11 393 257.34	+	1 016 928.10
Reserves	5 502 723.95	-	244 000
Miscellaneous liabilities	725	-	137.50
Carried forward	11 109 591.79		-

In conformity with § 7a of the Law on the Liquidation of Rentenbank Notes, 1 945 523.16 RM representing interest paid by the mortgagors, have been paid into the Sinking Fund at the Reichsbank. In conformity with § 7b, 15 000 000 RM, representing the amount which fell due for payment on October 1, have been paid into the same account. 'Loans to the Reich' and the amount of Rentenmark notes in circulation will decrease accordingly.

Since the Law on the Liquidation of Rentenbank Notes came into operation, the following sums have been paid into the Sinking Fund :

Rent M.	48 163 898.70	under § 7a of the Law.
"	60 000 000	" " 7b " " "
"	55 608 514.68	" " 7c " " "
"	100 000 000	" " 11 " " "
or a total of	263 772 413.38	

From the French
Translated - GHL
Checked - RB
QW.

I.I.9.3121

Doc. 152

Berlin, November 23,1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH

FOR THE MONTH OF OCTOBER 1925.

(see Doc. No. 149)

The Deutsche Reichsanzeiger No. 269 publishes the summary of tax eceipts of the Reich for the month of October 1925. Below will be found he usual table showing the receipts from the principal categories of axation.

	Estimated receipts		Receipts collected					
			Monthly averages					
	Fin. Yr. 1925/26	Monthly Average	Fin. Yr. 1924/25	1st Qr. Fin. Yr. 1925/26	2nd Qr. Fin. Yr. 1925/26	September 1925	Oct. 1925	From Apr. 1 1925 to Oct. 31 1925
			(in millions of RM)					
Taxes on income, sales, transport, etc.								
a) recurring	4 663.0	386.6	473.8	451.7	405.8	335.7	532.0	3 104.6
b) non-recurring	66.0	5.5	6.6	5.8	2.4	2.8	14.6	39.0
Customs & taxes on beer, tobacco, etc.								
c) assigned	1 425.3	118.8	119.0	140.1	170.7	175.0	118.3	1 050.7
d) other	89.5	7.4	10.2	10.7	7.3	8.5	9.7	63.9
Miscellaneous			0.6	0.1	0.1	-	0.1	0.6
Estimated surplus	100	8.3	-	-	-	-	-	-
Total:	6 343.8	528.6	610.2	608.4	586.3	522.0	674.7	4 258.8

The increase in the October receipts as compared with September (152.
illion RM) is solely due to the increase in the taxes on income, sales,
ransport, etc. The high figure of the receipts from recurrent taxes is t
e ascribed to certain quarterly payments which fell due in October: the
roceeds of the tax on revalorised bonds, a half-year's instalment of which
ell due in October (viz., 13.9 million RM), have considerably increased th
eceipts from non-recurring taxes.

The assigned receipts from customs and taxes on beer, tobacco, etc.,
e other hand, indicate an appreciable decline, which is to be ascribed to
e enforcement of the new tax measures.

Details of the receipts from the recurring taxes on income, sales,
ransport, etc., are given below.

	Estimated receipts		Receipts collected					
			Monthly averages					Fro
	Fin. Yr. 1925/26	Month-ly Aver-age	Fin. Yr. 1924/25	1st Qr. Fin. Yr. 1925/26	2nd Qr. Fin. Yr. 1925/26	Sept. 1925	Oct. 1925	Apr 192 Oct 19
			(in millions of RM)					
ome Tax								
on wages			111.0	131.7	118.2	120.4	121.2	8
on income from capital			1.6	13.1	5.2	2.6	6.3	
on other forms of income			71.9	63.8	63.2	21.7	138.9	5
gether	1 700.0	141.7	184.4	208.6	186.6	144.7	266.4	1 4
rporation Tax	300.0	25.0	26.2	18.2	13.0	3.9	38.4	1
x on Real and Personal Property	500.0	41.7	41.6	22.4	5.5	4.1	4.7	
rnover Tax								
ordinary	1 380.0	115.0	149.9	123.6	126.3	116.0	156.3	9
extraord. (luxury)	120.0	10.0	9.9	9.2	7.4	5.7	6.1	
x on Bourse transactions	96.0	8.0	9.4	4.8	4.1	3.9	2.4	
ansport Tax	282.0	23.5	26.0	27.1	31.0	31.0	30.2	2
her Taxes	285.0	23.7	26.4	37.8	31.9	26.4	27.5	2
Total	4 663.0	388.6	473.8	451.7	405.8	335.7	532.0	3 1

The increase in the October receipts as compared with September (152.7 llion RM) is solely due to the increase in the taxes on income, sales, nsport, etc. The high figure of the receipts from recurrent taxes is to ascribed to certain quarterly payments which fell due in October: the oceeds of the tax on revalorised bonds, a half-year's instalment of which l due in October (viz., 13.9 million RM), have considerably increased the eipts from non-recurring taxes.

The assigned receipts from customs and taxes on beer, tobacco, etc., on other hand, indicate an appreciable decline, which is to be ascribed to enforcement of the new tax measures.

Details of the receipts from the recurring taxes on income, sales, nsport, etc., are given below.

	Estimated receipts		Receipts collected					
			Monthly averages					
	Fin. Yr. 1925/26	Monthly Average	Fin. Yr. 1924/25	1st Qr. Fin. Yr. 1925/26	2nd Qr. Fin. Yr. 1925/26	Sept. 1925	Oct. 1925	From Apr. 1 1925 to Oct. 31, 1925.
			(in millions of RM)					
ome Tax								
on wages			111.0	131.7	118.2	120.4	121.2	870.9
on income from capital			1.6	13.1	5.2	2.6	6.3	61.3
on other forms of income			71.8	63.8	63.2	21.7	138.9	519.8
gether	1 700.0	141.7	184.4	208.6	186.6	144.7	266.4	1 452.0
rporation Tax	300.0	25.0	26.2	18.2	13.0	3.9	38.4	132.2
x on Real and Personal Property	500.0	41.7	41.6	22.4	5.5	4.1	4.7	88.5
rnover Tax								
ordinary	1 380.0	115.0	149.9	123.6	126.3	116.0	156.3	905.8
extraord. (luxury)	120.0	10.0	9.9	9.2	7.4	5.7	6.1	55.9
x on Bourse transactions	96.0	8.0	9.4	4.8	4.1	3.9	2.4	29.3
nsport Tax	282.0	23.5	26.0	27.1	31.0	31.0	30.2	204.3
ner Taxes	285.0	23.7	26.4	37.8	31.9	26.4	27.5	236.6
Total	4 663.0	388.6	473.8	451.7	405.8	335.7	532.0	3 104.6

In spite of the fact that under the provisions regulating the new atements for family charges (see Doc. No. 132) the deductions on account the Tax on Wages were computed only for about two-thirds of the month October, instead of for the whole month, the receipts from this tax again dicate a slight increase in October.

The considerable increase in receipts from the Tax on "Other Forms of come" and in the Corporation Tax is due to the payment, under the Steuer-erleitungsgesetz, of the quarterly instalment due for the months of August, tember and October by all persons liable to Income Tax and Corporation Tax th the exception of agriculturalists.

The note appended to the table published by the Deutsche Reichsanzeiger dicates the following sums as having been refunded to taxpayers in the urse of October: in respect of the tax on other forms of income, 0.7 llion RM; the Corporation Tax 0.7 million RM, representing the amounts rpaid in the preceding year (see Doc. No. 104).(1)

Receipts from the Tax on Real and Personal Property were again low in tober. Ever since February last the payment of this tax has been continually tponed. The next instalment is due on November 15 under the terms of the of August 10, 1925.

) The following sums were refunded down to September 30, 1925 under the rms of the Steuerüberleitungsgesetz: Tax on Wages, 4.6 millions RM. and, n to October 31, 1925, Tax on Other Forms of Income 1.7 million RM., rporation Tax 1.15 million RM.

The receipts from the Turnover Tax show a considerable increase in October as a result of the payment of the quarterly instalments due from small taxpayers and the Banks. The tax collected in October is computed, it will be recollected, on the basis of transactions carried out in September (the rate being 1.5 per cent). The one per cent rate will only apply to October transactions and the corresponding receipts will be shown in the November table. The volume of transactions, computed on the basis of the proceeds of the tax, allowance being made for modifications in the rate of the tax, continues steadily to increase, as is indicated by the following table.

Volume of business transactions per quarter
(in millions of RM)

1924	1st quarter	15 116	1925	1st quarter	25 113
	2nd ..	16 892		2nd ..	25 293
	3rd ..	19 264		3rd ..	25 960
	4th ..	24 720			

The following table shows the detailed figures for the receipts from the assigned revenues, customs and taxes on beer, tobacco, etc.

	Estimated receipts		Receipts collected					
			Monthly averages					
	Fin. Yr. 1925/26	Month-ly Aver-age	Fin. Yr. 1924/25	1st Qr. Fin. Yr 1925/26	2nd Qr. Fin. Yr. 1925/26	Sept. 1925	Oct. 1925	From Apr. 1 1925 to Oct. 31 1925
			(in millions of RM)					
stoms	356.1	29.7	29.7	37.2	49.3	50.1	60.9	320.6
bacco Tax	560.2	46.7	42.8	50.7	57.5	63.0	16.2	340.7
gar Tax	185.0	15.4	18.3	20.3	28.0	26.8	6.7	151.7
r Tax	174.0	14.5	16.4	21.7	26.3	24.1	20.9	165.0
rits Monopoly	150.0	12.5	11.8	10.2	9.6	11.0	13.6	72.7
Total	1 425.3	118.8	119.0	140.1	170.7	175.0	118.3	1 050.7

The decrease in the October receipts as compared with September .7 million RM) is due to the decline in the proceeds from the Tobacco Tax, . 46.8 million RM, and the Sugar Tax, viz. 20.1 million RM. The reason the decrease is the enforcement of the new taxation measures.

Owing to the extension of the term for the payment of the Tobacco Tax der the new provisions, 3 months instead of 2, as heretofore) no regular talment of the tax fell due in October. The taxes on deliveries effected ween July 16 and August 15 will not be paid until November. Further, the on Tobacco Raw Material (Materialsteuer), which was introduced under the of August 10, 1925 to take effect from October 1, will not be payable il next April.

The terms for the payment of the Sugar Tax having also been extended the Law of August 10, 1925, no instalment fell due in the course of

DATES ON WHICH TH

(PER

T a x	November 1925	December 1925	Janu
A. TAXES ON INCOME, SALES, TRANSPORT ETC.			
a) Recurring			
Income Tax:			
on wages	5th, period from Oct. 21-30. 15th, period from Nov. 1-10 25th, period from Nov. 11-20	5th, period from Nov. 21-30 15th, period from Dec. 1-10 25th, period from Dec. 11-20	5th, peri Dec. 15th, peri Jan. 25th, peri Jan.
on other forms of income Corporation Tax	-	15th (22nd) payment due by agricultural-ists (1 half year)	10th (17 due by p ing an o than agr non-agri poration
Tax on Real & Personal Estate	15th(22nd), provision-al payment (1/4 of annual tax due)	-	
Turnover Tax	10th(17th), payment due on Oct.turnover	10th(17th), payment due on Nov.turnover	10th(17t on Dec. 10th(17t (Oct.-De from ban mers, pe ing libe
b) non-recurring			
Tax on Revalorised Bonds	-	-	
B. CUSTOMS & TAXES ON TOBACCO, BEER, ETC.			
a) assigned			
Customs	Payment of August or November duties	Payment of September or December duties	Payment Janua
Tobacco Tax on banderoles	3rd, sales from July 16 - 31 18th, sales from August 1 - 15	3rd, sales from August 16-31 18th, sales from September 1 - 15	3rd, sal Septemb 18th, sa October
on raw material (Materialsteuer)	-	-	
Sugar Tax	30th, sales from September 16-30	31st, October sales	31st, No
Beer Tax	10th, deliveries from October 16-31 25th, deliveries from November 1-15	10th, deliveries from November 16-30 25th, deliveries from December 1-15	10th, del Decem 25th, del Janua
Spirits Monopoly	August sales	September sales	Octo
b) other indirect taxes			
Wine Tax	15th, September sales	15th, October sales	15th, N

TABLE SHEWING

ON WHICH THE PRINCIPAL TAXES FALL DUE FOR PAYMENT

(PERIOD FROM NOVEMBER 1925 - MARCH 1925)

January 1926	February 1926	March 1926
5th, period from Dec. 21-31 15th, period from Jan. 1-10 25th, period from Jan. 11-20	5th, period from Jan.21-31 15th, " " Feb. 1-10 25th, " " Feb.11-20	5th, period from Feb.21-28 15th, period from Mar. 1-10 25th, period from Mar.11-20
10th (17th), payment due by persons exercising an occupation other than agriculture & by non-agricultural corporations (1 quarter)	15th(21st), payment due by agriculturalists (1quarter)	-
-	-	15th (22nd), quarterly payment
10th(17th), payment due on Dec. turnover. 10th(17th), quarterly (Oct.-Dec.) payment due from banks, small farmers, persons exercising liberal profession.	10th (17th), payment due on January turnover	10th (17th), payment due on February turnover
-	-	-
Payment of October or January duties	Payment of November or February duties	Payment of December or March duties
3rd, sales from September 16 - 30 18th, sales from October 1 - 15	3rd, sales from Oct.16-31 18th; sales from Nov. 1-15	3rd, sales from Nov.16-30 18th, sales from Dec. 1-15
-	-	-
31st, November sales	28th, December sales	31st, January sales
10th, deliveries from December 16-31 25th, deliveries from January 1-15	10th, deliveries from January 16-31 25th, deliveries from February 1 -15	10th, deliveries from February 16-28 25th, deliveries from March 1-15
October sales	November sales	December sales
15th, November sales	15th, December sales	15th, January sales

March 1926	Remarks
iod from Feb.21-28	
.od from Mar. 1-10	
iod from Mar.11-20	
-	The dates shown in brackets are the last dates of payment (Schonfrist). The half-year's payment due by agriculturalists, which should have been effected on Nov.15, has been postponed by a Ministerial decision to December 15.
d), quarterly yment	
h), payment due uary turnover	
-	Payments due on April 1 and October 1 annually.
December or uties	The duties are payable on clearance of goods from Customs. Payment may be postponed for 3 months. 60 per cent of the duties on an average are payable within 3 months.
from Nov.16-30	Dates on which payment falls due as fixed by Law of August 10,1925.
from Dec. 1-15	
-	New tax payable after 6 months. 1st Payment (for October 1925) due in April 1926.
ary sales	Amendments introduced under Law of August 10,1925.
eries from y 16-28	Dates of payment amended as from April 1, 1926 by Law of August 10,1925.
eries from 1-15	
er sales	Taxes generally payable 3 months late
ry sales	Provisional dates. The provisions of the Law of August 10,1925 are not yet in force.

Tobacco Tax on banderoles	3rd, sales from July 16 - 31 18th, sales from August 1 - 15	3rd, sales from August 16-31 18th, sales from September 1 - 15	3rd, sales September 18th, sales October 1
on raw material (Materialsteuer)	-	-	-
Sugar Tax	30th, sales from September 16-30	31st, October sales	31st, Noven
Beer Tax	10th, deliveries from October 16-31 25th, deliveries from November 1-15	10th, deliveries from November 16-30 25th, deliveries from December 1-15	10th, delive December 25th, delive January 1
Spirits Monopoly	August sales	September sales	October
b) other indirect taxes			
Wine Tax	15th, September sales	15th, October sales	15th, Noven

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Translated - CP
Checked - RB

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January duties	February duties	March duties	go po du 3
3rd, sales from September 16 - 30 18th, sales from October 1 - 15	3rd, sales from Oct.16-31 18th; sales from Nov. 1-15	3rd, sales from Nov.16-30 18th, sales from Dec. 1-15	Da by
-	-	-	Ne (i
31st, November sales	28th, December sales	31st, January sales	Am Au
10th, deliveries from December 16-31 25th, deliveries from January 1-15	10th, deliveries from January 16-31 25th, deliveries from February 1 -15	10th, deliveries from February 16-28 25th, deliveries from March 1-15	Da 19
October sales	November sales	December sales	Ta
15th, November sales	15th, December sales	15th, January sales	Pr L

ies	March duties	goods from Customs. Payment may be postponed for 3 months. 60 per cent of the duties on an average are payable within 3 months.
m Oct.16-31	3rd, sales from Nov.16-30	Dates on which payment falls due as fixed by Law of August 10,1925.
m Nov. 1-15	18th, sales from Dec. 1-15	
	-	New tax payable after 6 months. 1st Payment (for October 1925) due in April 1926.
sales	31st, January sales	Amendments introduced under Law of August 10,1925.
from -31 from -15	10th, deliveries from February 16-28 25th, deliveries from March 1-15	Dates of payment amended as from April 1, 1926 by Law of August 10,1925.
les	December sales	Taxes generally payable 3 months late
ales	15th, January sales	Provisional dates. The provisions of the Law of August 10,1925 are not yet in force.

I.I.9.331

Doc. 153

BERLIN, November 23, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE

DURING THE MONTH OF OCTOBER 1925.

(cf Doc. 150)

The receipts and payments of the Reichshauptkasse for the month of October 1925 amounted to the following figures :

	Oct. 1925	April-Oct.1925
	(millions of RM)	
Receipts	749.9	4 384.5
Payments	708.6	4 458.2
Surplus of receipts	41.3	-
" " payments	-	73.7

I. RECEIPTS.

The receipts for October are composed of	millions of RM.
a) Receipts from taxation collected during the month minus receipts from controlled revenues for the month not yet re-transferred to the Reichshauptkasse.	674.7
	- 118.3
plus receipts from controlled revenues for September, re-transferred to the Reichshauptkasse in October	+ 175.0
or a total of	731.4
b) Administrative receipts collected during September	18.5
making a total of	749.9

II. PAYMENTS.

The payments are made up as follows : millions of RM

a)	General administrative payments (including payments in connection with the execution of the Peace Treaty)	465.5
b)	Transfers of taxes to the States and Communes	197.5
c)	Reparation payments	45.6
	Total payments	708.6

FLOATING DEBT.

The figures for the Floating Debt including liabilities and guarantees (Treasury Bonds issued in America, debt in Dutch florins, etc.) are as follows :

	Oct. 31 1925 (millions of RM)	Sept.30 1925
Liabilities	18.6	18.6
Guarantees	55.8	62.5
	74.4	81.1

Doc. 153.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE

APRIL 1, 1925.

(in millions of RM).

RECEIPTS.

		Receipts from Taxation.	Administrative receipts	Total
April	1925	651.9	16.4	668.3
May	"	618.3	11.4	629.7
June	"	543.8	3.1	546.9
July	"	689.6	3.1	692.7
August	"	535.4	22.5	557.9
September	"	509.6	29.5	539.1
October	"	731.4	18.5	749.9
Total :		4 280.0	104.5	4 384.5

PAYMENTS.

		General Administration	Transfers to States and Communes	Reparation Payments	Total
April	1925	415.7	234.0	-	649.7
May	"	408.8	238.2	-	647.0
June	"	362.2	224.1	-	586.3
July	"	405.7	224.1	-	629.8
August	"	360.7	243.1	-	603.8
September	"	408.1	167.1	57.8	633.0
October	"	465.5	197.5	45.6	708.6
Total :		2 826.7	1 528.1	103.4	4 458.2

SURPLUS (+) or DEFICIT (-)

April	1925	+ 18.6
May	"	- 17.3
June	"	- 39.4
July	"	+ 62.9
August	"	- 45.9
September	"	- 93.9
October	"	+ 41.3
Total :		- 73.7

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I.I.9.34 Doc. 154.

BERLIN, November 25, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE POSITION OF THE PUBLIC DEBT OF THE REICH
as at September 30, 1925.
(See Doc. 146).

The attached table shows the public debt of the Reich as at September 30, 1925 (see Wirtschaft und Statistik No.21).

Total figure of the debt as at September 30, 1925,	2 552.3	million RM.
" " " " " " " August 31, 1925,	2 582.0	" RM.
Reduction during the month of September	29.7	" RM.

The variations in the separate items are given below:

TREASURY BONDS. The reduction of 30 millions is due to the repayment during the month of September of the "Drafts in RM." (working funds of the Reichshauptkasse).

DEBT TO THE BANKS. The debt to the Rentenbank was reduced by 0.8 million RM, amount of the interest paid during the month of September by the mortgagors to the Sinking Fund formed at the

Reichsbank to meet the withdrawal of Rentenbank notes from circulation.

EXTERNAL LOAN. The reduction of 1.8 millions appears to be due in part to the fluctuating rates of exchange for foreign currencies.

MISCELLANEOUS. Under the item "Miscellaneous" the loan to agriculture (Meliorationskredit) has increased by 3 million RM, amounting to 12 million as against 9 million RM.

The figures for the Public Debt supplied hitherto have not included the figures for the Paper Mark Debts of the Reich. The review "Wirtschaft und Statistik" estimates that, taking as a basis the rates fixed for revalorisation of each of the Paper Mark loans of the Reich, the total amount of debt to be liquidated amounted to 1760 million RM. on September 30, 1925.

M.H.

From the French
Translated - CFH
Checked - NL.

Annex

PUBLIC DEBT OF THE REICH

(in millions of RM.)

	August 31, 1925.	September 30, 1925.
I. Treasury Bonds		
Paper Marks	0.-	0.-
6 per cent redeemable in 1935	20.-	20.-
6 " " redeemable in 1932	1.3	1.3
"K" Bonds	1.4	1.4
"E" Bonds	171.-	171.-
Reichsmark Drafts	30.-	-
Total:	223.7	193.7
II. Debts to Banks		
Rentenbank	1 109.6	1.108.8
Reichsbank	226.5	226.5
Total:	1 336.1	1 335.3
III. External Loan		
110 million dollars	446.6	445.1
21.36 million pounds sterling	429.8	428.2
25.2 " Swedish crowns	28.-	28.-
100 " lire	15.6	16.9
15 " Swiss francs	12.-	12.-
Total:	932.0	930.2
IV. Other debts		
Other Commitments	18.6	18.6
Guarantees	62.6	62.5
Loan to Agriculture (Meliorationskredit)	9.0	12.0
Total:	90.2	93.1
GRAND TOTAL:	2 582.0	2 552.3

From the French
Translated-CFH
Checked -NL.

Not for quotation.

Doc. 155.

I.I. 9. 322.

Berlin, December 21, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF NOVEMBER 1925.

(cf. Doc. 153).

The receipts and payments of the Reichshauptkasse for the month of November 1925 amounted to the following figures:

	November 1925	April-November 1925
	(millions of RM)	
Receipts	561.2	4 945.7
Payments	609.3	5 067.5
Surplus of payments	48.1	121.8

I. RECEIPTS

The receipts for November are composed of :		millions of RM
a) Receipts from taxation collected during the month minus receipts from controlled revenues for the month not yet re-transferred to the Reichshauptkasse		536.8
	-	150.9
plus receipts from controlled revenues for October, re-transferred to the Reichshauptkasse in November	+	118.3
or a total of		504.2
b) Administrative receipts collected during November		57.0
making a total of		561.2

A note added to the official table states that the increase in administrative receipts is due to the payment of a considerable part of the proceeds from the second minting of money.

II. PAYMENTS.

The payments are made up as follows :	millions of RM
a) General administrative payments (including payments in connection with the execution of the Peace Treaty)	350.5
b) Transfers of taxes to the States and Communes	212.9
c) Reparation payments	45.9
Total payments	609.3

FLOATING DEBT

The figures for the Floating Debt including liabilities and guarantees (Treasury Bonds issued in America, debt in Dutch florins, etc.) are as follows :

	November 30, 1925.	October 31, 1925.
	(millions of RM)	
Liabilities	18.6	18.6
Guarantees	52.3	55.8
	70.9	74.4

From the French
Translated - BWS.
Checked - NL.
DR.

Doc. 155.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE APRIL 1, 1925.

(in millions of RM).

RECEIPTS

		Receipts from Taxation.	Administrative receipts	Total
April	1925	651.9	16.4	668.3
May	"	618.3	11.4	629.7
June	"	543.8	3.1	546.9
July	"	689.6	3.1	692.7
August	"	535.4	22.5	557.9
September	"	509.6	29.5	539.1
October	"	731.4	18.5	749.9
November	"	504.2	57.0	561.2
Total :		4 784.2	161.5	4 945.7

PAYMENTS

		General Administration	Transfers to States and Communes	Reparation Payments	Total
April	1925	415.7	234.0	-	649.7
May	"	408.8	238.2	-	647.0
June	"	362.2	224.1	-	586.3
July	"	405.7	224.1	-	629.8
August	"	360.7	243.1	-	603.8
September	"	408.1	167.1	57.8	633.0
October	"	465.5	197.5	45.6	708.6
November	"	390.5	212.9	45.9	609.3
Total :		3 177.2	1 741.0	149.3	5 067.5

SURPLUS (+) or DEFICIT (-)

April	1925	+ 18.6
May	"	- 17.3
June	"	- 39.4
July	"	+ 62.9
August	"	- 45.9
September	"	- 93.9
October	"	+ 41.3
November	"	- 48.1
Total :		- 121.8

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I.I.9.343 Doc. N°.156

Berlin, December 28, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT OCTOBER 31,1925

(See Doc.N°.154)

The attached table shows the public debt of the Reich as at October 31, 1925 (see Wirtschaft und Statistik N°.23).

	millions of R.M.
Total figure of the Debt as at October 31,1925	2 495.0
Total figure of the Debt as at September 30,1925	2 552.3
Decrease during October 1925.	- 57.3

The following are the alterations in the various items :

Treasury Bonds - The decrease of 38.1 million R.M. is due to the redemption of E Bonds for 37 million R.M. which fell due during October 1925 : the further decrease of 1.1 million R.M. is due to purchases of 6 per cent Bonds redeemable in 1935 and 1932.

Debts to Banks - The debt to the Rentenbank has been reduced by 15 million R.M. as a result of the payment made by the Reich in conformity with the provisions of the Law of August 30. 1924, on the withdrawal of Rentenbank notes from circulation.

....

External Loan - The R.M. values of the various blocks of the External Loan, with the exception of the British block, are being reduced by means of regular amortisation. The addition in the R.M. value of the British block is due to the addition to the item on October 31, 1925, of the German quota of 360 000 pounds sterling.

Wirtschaft und Statistik states that during the first year of the Loan (up to October 15,1925) amortisation was effected as follows :

American block.		4 825 800 dollars
British block.	192 500 pounds st.	
French block.	49 500 "	
Dutch block	40 400 "	
Belgian block.	25 000 "	
German block.	5 700 "	
Swiss block.	38 300 "	
	Total. . . .	351 400 pounds sterling
Swiss block.		239 000 Swiss francs
Swedish block.		398 000 crowns
Italian block.		1 640 000 lire

Miscellaneous - The item "Guarantees", which consists chiefly of the debt in Dutch florins, is reduced by 6.7 million R.M.

M.H.

From the French
Translated - BWS
Checked - CP
MM

Doc. N°.156

Annex.

PUBLIC DEBT OF THE REICH

(in millions of RM)

		September 30, 1925	October 31, 1925
I.	**Treasury Bonds**		
	Paper marks	0.0	0.0
	6 per cent redeemable in 1935	20.0	19.0
	6 per cent redeemable in 1932	1.3	1.2
	"K" Bonds	1.4	1.4
	"E" Bonds	171.0	134.0
	Reichsmark Drafts	-	-
	Total. . .	193.7	155.6
II.	**Debts to Banks**		
	Rentenbank	1 108.8	1 093.8
	Reichsbank	226.5	226.5
	Total. .	1 335.3	1 320.3
III.	**External Loan**		
	110 million dollars	445.1	441.7
	21.36 million pounds sterling	428.2	434.8
	25.2 " Swedish crowns	28.0	27.9
	100 " lire	16.9	16.4
	15 " Swiss francs	12.0	11.9
	Total. . .	930.2	932.7
IV.	**Other Debts**		
	Other commitments	18.6	18.6
	Guarantees	62.5	55.8
	Loans to Agriculture (Meliorationskredit)	12.0	12.0
	Total. . .	93.1	86.4
	GRAND TOTAL. . .	2 552.3	2 495.0

From the French
Translated- BWS
Checked - CP
MM

I.I. 9.4140 Doc. 157

Berlin, December 28, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE BALANCE SHEET OF THE RENTENBANK
AS ON NOVEMBER 30, 1925.

The following is the comparison between the balance sheet of the Rentenbank as on November 30, 1925, and the balance sheet as on October 31, 1925.

ASSETS	Balance sheet of November 30, 1925. RM	Difference as compared with that of October 31, 1925. (+ or -) RM
Charges upon German agriculture	2 000 000 000	-
Rentenbriefe as on 31.10.25 RM. 1 999 844 000 as on 30.11.25 RM. 1 999 844 000		
Loans to the Reich	1 079 999 999.30	- 11 836 102
Outstanding credits (including RM 9 million granted to the Reich as credits for clearing grounds for agricultural purposes)	586 889 722	- 193 444 861.57
Balance in hand, giro accounts and postal cheque accounts and cash in hand	95 399 792.54	- 7 618 036.79
Office furniture and supplies	51 586.85	+ 7 856.10
Miscellaneous assets	31 803 637.70	+ 31 803 637.70

LIABILITIES	Balance sheet of: November 30, 1925 RM	Difference as compared with that of October 31, 1925. (+ or -) RM
Capital	2 000 000 000	-
Rentenbank notes in circulation	1 611 125 207	- 205 280 963
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	55 608 514.68	-
Rentenbriefe in circulation	156 000	-
Credit of the Rentenbank Credit Institution	30 882 729.76	+ 19 489 472.42
Reserves	5 442 723.95	- 60 000
Miscellaneous liabilities	512.50	262.50
Carried forward	11 109 591.79	-

In conformity with § 11 of the Law on the Liquidation of Rentenbank notes, 193 444 861 rentenmarks have been paid into the Sinking Fund at the Reichsbank. In conformity with § 7a, 11 836 102 rentenmarks have been paid into the same account. "Loans to the Reich" and "Outstanding credits" will decrease accordingly.

Since the Law on the Liquidation of Rentenbank Notes came into operation, the following sums have been paid into the Sinking Fund:

Rentenmarks	60 000 000.70	under §	7a	of the	Law.
"	60 000 000	"	7b	" "	"
"	55 608 514.68	"	7c	" "	"
"	293 444 861	"	11	" "	"
or a total of	469 053 376.38				

From the French
Translated - CP
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Not for quotation.

I.I. 9.321

Doc. 158

Berlin, December 28, 1925.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH
FOR THE MONTH OF NOVEMBER 1925.

(See Doc. No. 152)

The Deutscher Reichsanzeiger No. 294 publishes the summary of tax receipts of the Reich for the month of November 1925. Below will be found the usual table shewing the receipts from the principal categories of taxation:

	Estimated receipts.		Receipts collected.					
			Monthly averages					
	Finan. year 1925-1926	Monthly average	Finan. year 1924-25	1st Qr. 1925-26	2nd Qr. 1925-26	Oct. 1925	Nov. 1925	From 1-4-25 to 30-11-25
	(in millions of RM)							
I. Taxes on income, sales, transport, etc:								
a) recurring	4663.0	386.6	473.8	451.7	405.8	532.0	372.9	3477.5
b) non-recurring	66.0	5.5	6.6	5.8	2.4	14.6	4.3	43.3
II. Customs and taxes on beer, tobacco, etc.								
a) assigned	1425.3	118.8	119.0	140.1	170.7	118.3	150.9	1201.6
b) other	89.5	7.4	10.2	10.7	7.3	9.7	8.7	72.6
III. Miscellaneous	-	-	0.6	0.1	0.1	0.1	-	0.6
IV. Surplus	100.0	8.3	-	-	-	-	-	-
Total	6343.8	528.6	610.2	608.4	586.3	674.7	536.8	4795.6

The estimated receipts indicated in the above table are those given in the draft budget of the Reich. It is known that new estimates have recently been published by the Finance Minister. These new estimates which aggregate RM 6 770.5 exceed by RM 426.7 millions the figures here indicated. As these new estimates may possibly be further amended before the budget is voted (1) they have not been taken into account here.

The receipts for November are RM 137.9 millions less than those for October. This decrease which relates to the taxes on income turnover, etc... is due to the application of the new tax regulations. At the same time the high figure for non-recurring taxes for October was exceptional, being derived from the half-yearly payment of the tax on the revalorised bonds which had fallen due.

The receipts from assigned taxes although higher than those for the preceding month were still affected in November - at least in so far as the Sugar Tax is concerned - by the application of the provisions allowing longer time-limits for payment.

Details of the receipts from the taxes on income, sales transport, etc., are given below.

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(1) On December 17, the Reichstag adjourned until January 12, 1926, without having voted the 1925/26 budget.

	Estimated receipts		Receipts collected					
			Monthly averages					
	Fin.Yr. 1925/26	Monthly average	Fin.Yr. 1924/25	1st Qr. 1925/26	2nd Qr. 1925/26	Oct. 1925	Nov. 1925	From Apl.1 1925 to Nov 30 1925.
			(in millions of RM)					
Income Tax								
a) on wages			111.0	131.7	118.2	121.2	118.1	988.9
b) on income from capital			1.6	13.1	5.2	6.3	2.1	63.5
c) on other forms of income			71.8	63.8	63.2	138.9	33.4	553.2
Total	1 700.0	141.7	184.4	208.6	186.6	266.4	153.6	1 605.6
Corporation Tax	300.0	25.0	26.2	18.2	13.0	38.4	4.2	136.4
Tax on Real and Personal Property	500.0	41.7	41.6	22.4	5.5	4.7	60.6	149.1
Turnover Tax								
a) ordinary	1 380.0	115.0	149.9	123.6	126.3	156.3	96.5	1 002.4
b) extraord(luxury)	120.0	10.0	9.9	9.2	7.4	6.1	5.1	60.9
Tax on Bourse transactions	96.0	8.0	9.4	4.9	4.1	2.4	1.8	31.1
Transport Tax	282.0	23.5	26.0	27.1	31.0	30.2	28.7	233.0
Other Taxes	285.0	23.7	26.4	37.7	31.9	27.5	22.4	259.0
Total	4 663.0	388.6	473.8	451.7	405.8	532.0	372.9	3 477.5

The receipts from the Tax on Wages remain for November approximately the same as for October. They show only a slight decrease. For October about one third of the receipts were collected at the previous rate (the deductions for family charges being less than those now applied).

The low figure for receipts from the Tax on "Other forms of Income" and from Corporation Tax is due to the absence of any regular instalment. The instalment payable by the agriculturists on November 15 was, under a Ministerial Decision, deferred until December 15. But, for the first time since the beginning of the financial year an instalment under the heading of the Tax on Real and Personal Property fell due on November 15 (1/4 of the tax collected during the previous year).

The receipts from the ordinary Turnover Tax show an appreciable decline. The tax collected in November relates, it will be recollected, to October business and is computed at the rate of 1 per cent, whereas the October receipts which related to September business were collected at the rate of 1 1/2 per cent.

During November the refunds of over-payments for the preceding year, provided for in the Steuerüberleitungsgesetz (Transitional Taxation Law) were continued. A note appended to the table in the Reichsanzeiger shows the following refunds under this heading:

	November	From April 1 1925, to November 30,1925.
	in thousands of RM.	
Tax on other forms of income	953.7	2 636.6
Corporation Tax	1 037.4	2 187.4

The following table shows the detailed figures for the receipts from the assigned revenues.

	Estimated receipts		Receipts collected					
			Monthly averages					
	Fin.Yr. 1925/26	Monthly average	Fin.Yr. 1924/25	1st Qr. Fin.Yr. 1925/26	2nd Qr. Fin.Yr. 1925/26	Oct. 1925	Nov. 1925	From April 1 1925 to Nov. 30,1925.
	(in millions of RM.)							
stoms	356.1	29.7	29.7	37.2	49.3	60.9	53.1	373.6
bacco Tax	560.2	46.7	42.8	50.7	57.4	16.2	59.1	399.8
gar Tax	185.0	15.4	18.3	20.3	28.1	6.7	5.7	157.4
er Tax	174.0	14.5	16.4	21.7	26.3	20.9	19.8	184.8
irits Monopoly	150.0	12.5	11.8	10.2	9.6	13.6	13.2	86.0
Total.....	1 425.3	118.8	119.0	140.1	170.7	118.3	150.9	1 201.6

The increase in the receipts for November as compared with October is due to the gradual readjustment to the system of regular payments. It will be recollected that longer time-limits for payment have been allowed under the new legislation.

No instalment of the Tobacco Tax (Banderole) fell due in October. The Tax collected for November again corresponds to the sales effected for an entire month (from July 16 to August 15 1925). The instalments of the tax on the raw materials (Materialsteuer) will not begin to fall due until April 1926.

The receipts from the Sugar Tax remained very low for November as a result of the application of the new time-limits for payment. The instalments for November relate to the sales effected from September 16 to 30, 1925. No payment fell due in October. It may apparently be assumed that a portion of the taxes falling due for payment in November were already paid in October. For December the receipts from the Sugar Tax will again relate to the sales for an entire month (sales for the month of October).

M.H.

From the French
Translated - JMP
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GS.

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a. - Doc. 159.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

THE GOLD MORTGAGE BOND (GOLDPFANDBRIEFE) MARKET.

Since the beginning of the year there has been a decline in gold mortgage bonds (Goldpfandbriefe) on the securities market. This movement has caused the German public especial alarm, since Goldpfandbriefe, which for the most part enjoy the privileged position of Mündelsicher (trustee securities), have hitherto been considered as first class securities. Trustee securities include those securities in which monies belonging to wards may be invested under a ministerial declaration.

Before the war the mortgage market was supplied with funds from the savings banks, the social insurance institutions and private insurance companies, the mortgage banks and the public or semi-public mortgage credit institutions (Landschaften, Stadtschaften, Landeskreditkassen).

The aggregate amount of mortgages encumbering German property in 1913 amounted to about 60 milliard marks, distributed as follows according to the memorandum published by the German Government on the revalorisation question:

Mortgage banks	11.4	milliard	marks
Savings banks	13.0	"	"
Insurance	8.3	"	"
Landschaften, Stadtschaften .	7.0	"	"
	39.7	"	"
Mortgages held by private individuals .. between 19 & 27		"	"

The law of July 16, 1925, on the revalorisation of private debts denominated in paper marks has had the effect of replacing the "paper" debt still encumbering German property with a "gold" mortgage charge amounting to about 10 milliard RM.

At the present time, if we disregard transactions between private individuals - as to the extent of which there is but little information - the mortgage market is almost entirely concentrated in the hands of those institutions which issue mortgage bonds, that is to say mortgage banks, Landschaften and other similar institutions. The savings banks and insurance institutions appear hitherto to have invested only a very small part of their funds directly in mortgages.

I. MORTGAGE BOND ISSUING INSTITUTIONS.

a) MORTGAGE BANKS.

Under the terms of the law of July 13, 1899, mortgage banks are share companies formed for the purpose of issuing mortgage loans and bonds guaranteed by mortgages acquired.

They are subject to government control and the government is entitled to appoint for each bank a trustee (Treuhänder), whose duty it is to protect the rights of bondholders.

The bonds issued must always be covered by mortgages. Each bank must keep a regular mortgage register, in which are recorded the mortgages assigned as security for bonds in circulation.

Speaking generally, the amount of the bonds issued by a mortgage bank must not exceed 20 times its capital and reserves.

The mortgage banks are not permitted to handle all kinds of banking transactions. They may only effect transactions in securities as agents for third parties; they may receive deposits but only up to the value of half their capital; they may grant loans to communes and issue communal bonds; they are prohibited from carrying out transactions on current account and discount operations.

b) LANDSCHAFTEN.

The Landschaften are corporations established under Public Law, and have as members a certan number of landed proprietors. Their object is to grant mortgage loans to members and to issue mortgage bonds.

The Landschaften are among the few German institutions which have survived the Revolution almost intact. In character, they are quite archaic. They differ from one another in organisation and in the business they deal in; they are governed by no general law and each has its own charter, granted at the time of its formation by the reigning sovereign. These charters, which are but imperfectly known, vary from one Landschaft to another.

The Landschaften are an almost exclusively Prussian institution; outside Prussia they are found only in Mecklenburg, Brunswick, Saxony and Wurtemberg.

The Landschaften are generally divided into three categories: the old Landschaften, the Rustikallandschaften and the new Landschaften.

Old Landschaften. The first of what are known as 'old Landschaften' was founded in the 18th century. The oldest is the Schlesische Landschaft (Silesian Landschaft) founded in 1770 by Frederick the Great with the object of procuring capital for the Silesian Junkers ruined by the Seven Years' War. Four other Landschaften were founded within the next few years, viz: the Kur und Neumärkische Ritterschaftliche Kreditinstitut (1777), the Pommersche Landschaft (1781), the Westpreussische Landschaft (1787) and the Ostpreussische Landschaft (1788).

Although their charters differ from one another, these old Landschaften have certain characteristics in common: the proprietors of Rittergüter (baronial lands) in a single province are compulsory (1) members of the Landschaft. The membership of the Landschaft is accordingly based not on personal but on property qualifications.

The mortgage bonds issued by the old Landschaften are secured by a general, personal and joint guarantee of the members of the Landschaften (in addition to the ordinary mortgage guarantee).

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(1) With the exception of the Kur und Neumärkische Ritterschaftliche Kreditinstitut.

The Rustikallandschaften. The old Landschaften had a membership consisting solely of nobles. It was still held at that period that only nobles could be authorised to contract debts.

After 1848, ideas having progressed, commoners were admitted to the benefits conferred by similar advantages. In 1849, the Ostpreussische Landschaft agreed to admit commoners. Eventually, there were formed Rustikallandschaften, the members of which consisted solely of commoner land owners, but which are administered under the supervision of the old Landschaften. For instance, there was attached to the Westpreussische Landschaft the Neue Westpreussische Landschaft (1861) and to the Kur und Neumärkische Kreditinstitut the Neue Brandenburgische Kreditinstitut (1869); the Pommersche Landschaft founded a branch in 1871, the Neue Pommersche Landschaft für den kleinen Grundbesitz.

New Landschaften. Simultaneously with the Rustikallandschaften, there were founded certain new Landschaften to which all landed proprietors could belong without distinction, e.g., Landschaftlicher Kreditverband der Provinz Sachsen (1864), Landschaft der Provinz Westfalen (1877), Landschaftlicher Kreditverband für die Provinz Schleswig-Holstein (1882), Schleswig-Holsteinische Landschaft (1895)[1].

Rustikallandschaften and new Landschaften have certain features in common: there is no obligation to become a member of them and there is no general guarantee by the members for the mortgage bonds in circulation.

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(1) This Landschaft forms an exception and admits as members only noble landowners.

Zentrallandschaft für Preussen. The Prussian Landschaften have been combined since 1873 in a Zentrallandschaft with registered offices in Berlin. Apart from loans granted by the Landschaften, which are members of the central body, the Zentrallandschaft grants mortgage loans to the members of the affiliated Landschaften, in accordance with regulations contained in the various private charters of the Landschaften. The Zentrallandschaft issues mortgage bonds, which are secured on the mortgages acquired in the foregoing manner.

Administration of the Landschaften. The Landschaft is administered, under State supervision, by a Generallandschaftsdirektion (General Landschaft Managing Board), presided over by a Generallandschaftsdirektor (General Landschaft Director) and by a Generallandtag (general meeting of representatives of the members).

The Landschaften Banks. Most of the Landschaften have founded special banks affiliated to them, the banks having a legal personality separate from that of the Landschaften, and being entrusted with their banking operations and those of their members. In some cases (Kur und Neumärkische Kreditinstitut) the bank forms an integral department of the Landschaft.

c) THE STADTSCHAFTEN.

The Stadtschaften hold the same position in regard to urban property as that held by the Landschaften in regard to rural property.

The Stadtschaften, however, are of quite recent creation. They are governed by a Prussian law of December 14, 1916.

The Stadtschaften, like the Landschaften, are corporations established under public law for the purpose of granting mortgage loans to their members and issuing mortgage bonds (Pfandbriefe).

The most important Stadtschaft is the Berliner Pfandbriefamt, which was founded in 1921.

The Stadtschaften of the provinces of Brandenburg, East Prussia and Pomerania combined in 1922 in a central institution known as the Preussische Zentralstadtschaft at Berlin.

There does not appear to have been any considerable development in the establishing of Stadtschaften outside Prussia.

d) OTHER INSTITUTIONS ISSUING MORTGAGE BONDS.

In addition to the mortgage banks, Landschaften and Stadtschaften, there are other institutions which issue mortgage bonds.

The Landesbanken and the Landeskreditkassen were founded with the same objects as the Landschaften. They are public institutions founded by the States, the Provinces or Associations of Communes. The Landesbanken lend money not only to farmers but also, although only to a slight extent, to co-operative societies, industrial undertakings and loan co-operative societies for the middle and artisan classes. Not all of them, however issue Pfandbriefe (mortgage bonds).

In addition to the above, there are the Landeskulturrentenbanken which issue loans for clearing waste ground, improvement of the soil, etc. They issue Landeskulturrentenscheine, which are securities of a similar nature to the Pfandbriefe. The most important of these institutions is that at Dresden.

Mention must finally be made of an institution of a new type, which has just been founded in Saxony, viz. the Sächsische Landespfandbriefanstalt, which began operations on October 1, 1925, and was formed for the purpose of supplying mortgage loans to industry in Saxony.

This is a semi-public institution with a capital of 1 million RM, furnished by the Saxon Government. It is to issue mortgage bonds on security of immovables or industrial plant. These bonds, the maximum amount of which has been fixed to begin with at 50 million RM, are to be issued preferably abroad.

II. THE GOLD MORTGAGE BOND MARKET.

After a period of inactivity enforced by the war and the inflation, mortgage banks, Landschaften and Stadtschaften were authorised from June 1923 onwards to denominate their mortgage loans and bonds in "stable values" (1) (gold, rye, etc.)

The gold bonds, which are the subject of the present note, form by far the most important division of the "stable value"

(1) Laws of June 23, 1923.

securities issued since the above date. They are denominated either in gold marks (the gold mark being fixed on the basis of the dollar or of fine gold) or in a definite number of grammes of fine gold.

a) BONDS OF THE LANDSCHAFTEN, STADTSCHAFTEN, ETC.

Of the gold bonds thus put into circulation, those which have most seriously declined in value in the last few months are those issued by the Landschaften and by the Berliner Pfandbriefamt (the Berlin Stadtschaft). The bonds issued by the mortgage banks, on the other hand, have remained fairly firm.

	31/12 1924	2/6 1925	30/9 1925	15/10 1925	31/10 1925	14/11 1925	30/11 1925	31/12 1925
0 per cent Berliner Pfandbriefamt	99.5	96	95.75	95.75	95.5	95	95	96.0
8 per cent " " "	92	86.5	85	84.25	82.25	81.5	81.75	82.25
8 per cent Schlesische Landschaft issued 9-4-25 at 87	87 (1)	77	66.25	66.5	62.5	66.5	66.7	69.5
0 per cent Schleswig Holsteinische Landschaft	94.5	86.4	85.25	83.25	81	81.25	81	86.25
0 per cant Ostpreussische Landschaft	88	84.75	79.90	77	75	76	76.1	82.5
0 per cent Provinz Sachsen	94	86.4	80.75	79.75	78	78.75	78.75	84.9
8 per cent Berliner Hypothekenbank	87 (2)	86	85	85	85	85	85	85.00
8 per cent Frankfürter Pfandbriefbank	87 (3)	84.3	84.3	84.3	84.3	84.30	84.30	84.3
8 per cent Preussische Zentral Boden	85	84.5	84	84.5	84.5	84.50	84.50	84.5
0 per cent Berliner Hypothekenbank	100 (4)	97	96.9	96.8	96.75	96.40	96.40	96.6
0 per cent Preussische Pfandbriefbank	99	97	96.9	96.5	96.25	96.75	96.75	97.00

(1) Quoted for the first time on April 9, 1925.

(2) " " " " " " " 30, 1925.

(3) " " " " " " February 7, 1925.

(4) " " " " " " March 2, 1925.

In addition to certain individual causes, which will be mentioned below, there is one general cause for this decline, viz. a system of issue which is incompatible with the money crisis in Germany.

The question of the rules adopted by the various mortgage loan institutions for issues of bonds has been the subject of vigorous criticism in the German press. In reply to the charges brought against them, the Landschaften, Stadtschaften and mortgage banks have published numerous communications which are by no means consistent with one another.

However that may be, it appears certain that the Landschaften and Stadtschaften were, at a recent date, still transacting business in the following manner:

Mortgage loans were effected by the remittance to the borrower of bonds on the issuing institution. The borrower was himself expected to undertake the sale of the securities received by him, unless the institution assumed this duty; in any case, the borrower received only the proceeds of such sale.

As a general rule, the bonds issued in the foregoing manner are of course subject to a Sperre (an embargo prohibiting their negotiation on the Bourse prior to a specified date, in most cases after one year). This precaution, however, is quite inadequate and indeed is only calculated to postpone the difficulties which are bound to arise sooner or later. In addition, the holder of non-negotiable securities has an option either of selling the securities outside the market (which results in a lowering of the official market rates) or of surrendering them as security for advances from banks.

The incident of the Kahn Konzern, which caused the public some anxiety a few weeks ago, has thrown a clear light on the disadvantages of deposits of Sperrstücke (non-negotiable securities) as security for advances from banks. Soon after the stabilisation of the currency, the Kahn Konzern succeeded in obtaining from the Berliner Pfandbriefamt, Stadtschaft of Berlin, a mortgage loan for 6.2 million RM (a sum which at that time represented no less than 40 per cent of the amount of the bonds issued by the Berliner Pfandbriefamt, which has been vehemently criticised on account of the lack of proportion involved in this transaction). The loan was paid to the Kahn Konzern in the form of non-negotiable bonds against the security of which Kahn obtained advances from various banks.

On the expiration of the period of non-negotiability (September 30, 1925), the Kahn Konzern had fallen into difficulties and the banks, in order to recover their debts, threw part of the securities on the market. This was followed by a panic on the Bourse and a general fall in the rate for mortgage bonds. Only the intervention of the Oberpräsident of the Province of Brandenburg and protracted negotiations between the Berliner Pfandbriefamt and the banks succeeded in inducing the banks to suspend their sales and to agree among themselves to realise the remainder of the bonds outside the market.

In addition to the illogical method of issue described above, there are other reasons for the heavy fall in the gold bonds of the Landschaften.

Under their charters, the Landschaften are obliged to grant their members any mortgage loans they may apply for up to a certain percentage, which varies from one Landschaft to another, of the value of the property assigned as security. This obligation is rendered especially dangerous on account of the particularly severe money crisis in agriculture.

Complaints have been directed against the inadequate technical capacity of the directors of the Landschaften.

There is no provision as to the periodical notification of the issues of the Landschaften, which are not required to announce their issues regularly in the Reichsanzeiger.

The Landschaften bonds are mostly "sofort kündbar", that is to say they may be called in at any time, a condition which would of course entail loss to the holders should the money rate fall. The bonds of the mortgage banks, on the other hand, cannot in the majority of cases be called in, except after the lapse of several years.

The gold bonds of the Landschaften were, generally speaking, issued on the Stock Exchange at excessively high rates; for instance, the 8 per cent bonds of the Schlesische Landschaft were issued at 87 per cent on April 9, 1925, while the rates of issue of the 8 per cent bonds of the other Landschaften vary between 78 and 84.

b) BONDS OF THE MORTGAGE BANKS.

In comparison with the bonds of the Landschaften and Stadtschaften, those of the mortgage banks have been remarkably steady.

This stability is explained by the following reasons: for some time past, the mortgage banks, or at any rate the greater number of them, have realised the risks entailed in the payment of mortgage loans by means of the issue of bonds.

They now only pay out their loans in cash and that only when their issues of bonds have placed them in possession of sufficient funds. Again, since the end of the first quarter of 1925, they have been very cautious in granting loans owing to the serious contraction of credit.

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The decline of the mortgage bonds of the Landschaften has caused great indignation among the public. Many regard a radical reform of these antiquated institutions to be indispensable.

Any attempt at reform, which would require new legislation, is however met with strong resistance; there appears to be no prospect of early realisation.

Negotiations have latterly been held between the Government and the directors of the Prussian Zentrallandschaft. According to the reports published in the press, the Landschaften refused to consent to any amendment of their charters. The

granting of mortgage loans to the members remains, it is said, compulsory and the Landschaften continue to receive applications for credit; they refuse, however, to enter into any commitment as to the date on which the loans will be paid out. It is said, on the other hand, that they have undertaken to publish regularly every two months a return showing issues of bonds.

Amount of mortgage bond issues denominated in "stable values".

It is estimated that in the two years in which they have been authorised, the issues of gold mortgage bonds have not exceeded by any great amount 800 million RM (500 millions for the mortgage banks and 300 millions (1) for the Landschaften and Stadtschaften). Taken on the basis of its absolute value and disregarding the position of the money market, this figure may be considered reasonable; in 1913, the Prussian savings banks alone increased their holdings of urban mortgages by 462 million marks.

It may be added that, before the war, the payment of mortgage loans by bonds was the regular rule.. This presented no disadvantages, since the market had a wide capacity for absorption.

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(1) On December 1, 1925, the Prussian Landschaften (including the Zentrallandschaft) had issued 282 million RM of gold mortgage bonds.

Hence, it will be seen that the difficulties which have arisen on the mortgage loan market are due in the last resort to the fact that the supplies of the market are far from what they were before the war. Some economists maintain that the situation would rapidly improve if the savings banks and the insurance institutions, instead of confining their business to the shor t-term credit market, were to resume operations on the mortgage market.

DRILLIEN.

From the French
Translated - CP
Checked - BWS
DR QW.

I.I.9.3126 a.- Doc. 160

BERLIN, January 14, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE DRAFT BUDGET OF THE REICH

FOR THE FINANCIAL YEAR 1926-1927.

At the end of November the Government of the Reich submitted to the Reichstag the draft budget for the financial year 1926-1927, and it was voted by the latter on December 19, 1925.(1) The only modification introduced appears to have been the re-introduction - upon the proposal of Prussia - of the Vote for the Savings Commissioner (Sparkommissar) amounting to 262 000 RM.

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(1) Attention is drawn to the actual position of the budgets for the three financial years following stabilisation:
a) The budget for the financial year 1924-1925 ending March 31, 1925, was voted in August 1925; the final results (Appropriation Account) are now known as a whole, but the full accounts for the year, chapter by chapter, have not yet been published (see Agent General's Report and Doc. No. 59).
b) The budget for the financial year 1925-1926 still figures on the agenda of the Reichstag (see first and second Reports of the Agent General).
c) The budget for the financial year 1926-1927 has just been submitted to the Reichstag, and is the subject of the present note.

For the first time, the Votes for each Ministry or Administration have been presented in a uniform manner: items 1 to 10 cover expenditure on account of staff, items 11 to 30 expenditure on account of material, and item 31 refers to "other expenditure". The items therefore no longer correspond to the items for the financial year 1925.

The gross figures of the draft budget are as follows:

	Ordinary Budget			Extraordinary Budget		Together	
	Revenue	Recurrent expenditure.	Non-recurrent expenditure	Revenue	Expenditure.	Revenue	Expenditure.
	in millions of R.M.						
General administration	7 412.78	7 164.19	248.59	301.10	301.10	7 713.88	7 713.88
Charges arising out of the War	242.65	218.76	23.89	1 285.86	1 285.86	1 528.51	1 528.51

The Minister of Finance is authorised to have recourse to loans not exceeding 150 millions as a temporary measure to strengthen the funds of the Reichshauptkasse.

II.

The figures given above represent, both in the case of revenue and expenditure, mere accountancy entries (transfers from one budget to another, etc.) The net revenue and expenditure may be given as follows :

Net revenue - estimated

A.	Taxes	6 939.80	
B.	Miscellaneous administrative revenue	259.22	
C.	Surplus of the 1924-1925 budget.....	220.00	
	Total		7 419.02

Out of this sum, it is estimated that the reversions to the States and Communes will amount to 2 385.02

Total available for the Reich 5 034.00

III.

Estimated Expenditure

			millions of RM.
A.	Administrative expenditure of the Reich		
	Ordinary Budget	3 992.58	4 119.66
	Extraordinary Budget	127.08	
B.	Expenditure of the "Budget for Charges resulting from the War"		
	a) Expenditure borne by Germany :		
	1. Miscellaneous expenditure ...	242.65	314.01
	2. Reimbursement of "E" bonds	71.36	
	b) Execution of the Experts' Plan:		
	1. Annuities under the Experts' Plan.	441.67	600.33
	2. Reserve to be constituted by the Commissioner for Controlled Revenues	12.83	
	3. Reserve to meet the additional budget contribution (Third year of the Plan).....	145.83	
	Total		5 034.00

The items of revenue and expenditure are briefly dealt with below:

IV. I. REVENUE

	millions of RM.
A. TAXES	6 939.80

The estimated revenue for each of the main categories of taxation works out as follows (for details, see Appendix) :

Taxes on property and circulation	4 874.00
Customs duties and Taxes on Consumption:	
assigned	1 947.00
other Taxes on Consumption	118.80
Total	6 939.80

B. MISCELLANEOUS ADMINISTRATIVE REVENUE	259.22

Under this item have been classed the various taxes on Embassies, the dues levied by the Ministry of Transport, the Patent Offices, etc. The other important entries are as follows:

Profits realised on the minting of coins(1)	67.55
Dividend on the shares of the German Railway Company	26.2
Profits realised by the Postal Administration of the Reich	20.00
Profits realised by the Printing Office of the Reich	3.8

(1) The profits realised on the minting of coins are in principle paid into the "working funds of the Reichshauptkasse". This item, 67.55 millions, entered as revenue is intended to cover the cost of minting entered as expenditure for the same amount, i.e. 67.55 million RM.

millions of RM.

C. SURPLUS OF THE FINANCIAL YEAR 1924-1925 220.00

Out of the 496.4 million RM. surplus for the financial year 1924-1925, 220 millions were assigned to the budget for the financial year 1926-1927 to take the place of the revenue to be derived from the sale of 500 million RM. preference shares of the German Railway, which sale has to be effected during the second Reparation Year, 5/12ths of the amount, i.e. 208.33 millions having to be applied to the financial year 1926-1927.

V. II. REVERSIONS TO THE STATES AND COMMUNES 2 385.02

The reversions estimated in the budget are calculated on the basis of the rates fixed by the Law of August 10, 1925, and may be given in detail as follows:

a) Reversions derived from Income Tax, Corporation Tax and Turnover Tax:

	Revenue of the Reich millions of RM.	Percentage of reversion %	Reversions to States and Communes millions of RM.
Income Tax	2 100	75	1 575
Corporation Tax	250	75	187.5
Turnover Tax	1 350	30	405
Supplementary reversions in virtue of Turnover Tax, the reversions made by the Reich having to be calculated on a minimum figure for receipts of 1 500 millions			45
Total			2 212.50

	millions of RM.
Carried forward	2 212.50
b) Reversions in virtue of secondary taxes (acquisition of real estate, automobiles, racing bets: 96 per cent of the receipts of the Reich)	124.82
c) Indemnities to Bavaria, Wurtemberg and Baden in virtue of the Beer Tax (maximum rate fixed by the Law of August 10, 1925).....	22.70
d) Reversions in virtue of the Wine Tax.....	25.0
The Law concerning Taxes on Consumption of August 10, 1925, prescribed that one-third of the receipts from the Wine Tax was to revert to the States, to be devoted by the latter to assist the wine-growers.	
Total of reversions....	2 385.02

VI. III. EXPENDITURE

A. ADMINISTRATIVE EXPENDITURE OF THE REICH 4 119.66

The administrative expenditure of the Reich may be distributed as follows (total of recurrent, non-recurrent and extraordinary expenditure) :

General Administration of the Reich		
Finance Administration	401.70	459.21
Other Expenditure	57.51	
Pensions (military		1 470.02
(civil		85.47
Army and Navy		685.79
Social expenditure		476.48
Public Debt		310.27
Public Works		160.83
Justice		11.40
Public Instruction, Public Worship, Fine Arts		10.99
Miscellaneous expenditure.....		227.31
Various subsidies to the States.....		221.82
Total :		4 119.66

The estimated increase in expenditure as compared with previous budgets is due to a great extent to expenditure on account of staff and increased pensions and social burdens. The total vote of 300 million marks entered in 1925-1926 as expenditure on account of the general Finance Administration and intended to cover increased expenditure in connection with staff, has been abolished. These items of expenditure appear in the new budget to their total amount under the separate items. Furthermore, expenditure on account of pensions was greatly increased in the last draft budget for 1925-1926.

The following details may be given with regard to the composition of the principal items (excluding pensions, Army and Navy) :

	millions of RM.
1) General Administration of the Reich	459.21

Under this item have been classified all expenditure to be borne by the Reich in view of its direct administrative duties (Parliament, Foreign Affairs, Court of Accounts, Finances). The expenditure incurred in the collection of taxes amounts to 401.70 million RM. The other items only amount to 57.51 million RM.

2) Social expenditure	476.48

This item is made up of the general expenditure of the Ministry of Labour, contributions of the Reich to social insurance, unemployment relief.

The principal items are as follows:

	millions of RM.
Social insurance	248.85
Unemployment relief	100.05
Upkeep of Offices administering relief (Versorgungsdienststellen)	53.63
Construction of dwellings	15.00
Miscellaneous relief	15.80

3) Public Debt 310.27

Under this item, the expenditure incurred in connection with the new laws concerning the liquidation of paper-mark debts of the Reich amounts to 204.5 millions and may be analysed as follows:

Annuities to "old" holders		64.00
Reimbursements:	Participation rights to drawings	125.00
	Charitable annuities	10.00
	Miscellaneous (execution of the laws)	5.50

The remaining expenditure in connection with the Public Debt may be distributed as follows :

Administrative expenditure	11.71
Interest	19.02
Redemption (debt of the Reichsbank, of the Rentenbank, Amortisation of the Gold Loan)	75.04

4) Public Works 160.83

This item includes the general expenditure of the Ministry of Transport together with expenditure incurred in the maintenance and construction of canals, etc. The most important sub-divisions forming this item are: maintenance of canals and high sea waterways taken over by the Reich from

the States in 1920 (44.5 million RM); non-recurrent expenditure for constructional work (32.26 millions), and lastly expenditure under the extraordinary budget (56.57 millions).

	millions of RM.
5) Public Instruction, Fine Arts, Public Worship	10.99

Only a few subsidies to museums or institutions are entered in the budget of the Reich under this item, as the States bear the cost of public instruction.

6) Miscellaneous expenditure	227.31

Under this heading have been grouped all categories of expenditure which do not come under the previous headings, such as the cost of the administrations or institutions of Physics, Chemistry, buildings of the Reich, etc. Further important items are as follows:

Cost of minting coins	67.55
Cost of Postal and Telegraph Service for the whole administration	12.00
Secret Funds	8.00
Total expenditure entered in the Transport Budget to cover the cost of air and motor traffic, or the participation of the Reich in various companies (Neckar-Rhine-Main-Danube, etc.)	58.21
Constructional expenditure of the Ministry of Finance	19.59

	millions of RM.
7) Subsidies granted by the Reich to the States	221.89
These subsidies are given herewith:	
Subsidies to the Police Force of the States	190.00
Subsidies to Prussia for preventive measures against disease in cattle	0.20
Subsidies to the States for the upkeep of military graves	0.81
Subsidies to meet administrative expenditure in connection with navigable waterways	10.80
Compensation grants to the States for administering debts of the Reich	0.40
Compensation grants to the States for relief granted to ex-combatants	19.68
Total:	221.89

B. **EXPENDITURE OF THE BUDGET FOR CHARGES ARISING OUT OF THE WAR.**

a) **EXPENDITURE TO BE MET BY GERMANY:**

1) Miscellaneous expenditure	242.65
2) Redemption of "E" Bonds	71.36

The expenditure to be met by Germany may be analysed as follows:

1) Miscellaneous expenditure:

a) Compensation to officials (Alsace-Lorraine, compensation for the Occupation, expulsion, etc).....	38.32
b) Compensation paid to German nationals for the liquidation of their property	78.00

millions of RM.

c) Compensation to the States and Communes for sums paid by them to officials in the Occupied territories 7.00

d) Delivery of war material, razing of fortifications, building of frontier stations 27.92

e) Miscellaneous 91.41

2) Redemption of "E" Bonds:

The "E" Bonds, amounting to 71.36 million RM, which fall due during the financial year under consideration are represented almost entirely by the bonds issued prior to September 1, 1924, in payment of the British Reparation Duty (20.425 million RM) and by the bonds handed to the Ruhr industrialists (50.00 million RM).

b) EXECUTION OF THE EXPERTS' PLAN:

1) Annuities under the Experts' Plan 441.67

2) Reserve to be constituted by the Commissioner for Controlled Revenues 12.83

3) Reserve to meet the additional budget contribution (third year of the Plan) 145.83

The annuity to be paid out of budget funds during the financial year 1926-1927 is derived from :

millions of RM.

a) part of the Transport Tax:

5/12ths of 250 million RM. for the five last months of the second Reparation year	104.166
7/12ths of 290 million RM. for the seven first months of the third Reparation year	166.167
Total:	273.333

b) contributions from the budget of the Reich:

5/12ths of the budget contribution fixed for the second Reparation year	104.166
7/12ths of the budget contribution of 110 millions fixed by the Experts' Plan for the third Reparation year	64.167
Total:	441.666

Finally, the payments of the actual budget of the Reich are entered under revenue and expenditure (to be handed to the Agent General) :

Payment of interest on the Railway Bonds....	572.5
Payment of interest on the Industrial Debentures	187.5

According to the London Agreements, the Commissioner for Controlled Revenues is to hold as security, beginning with the third Reparation year, sufficient funds to cover 1/10th of the Reparation payments to be effected out of the budget. The amount to be thus retained during the seven months of the financial year 1926-1927, which fall within the third Reparation year, should be 110 x 7/10 = 77 million RM. The Commissioner

for Controlled Revenues will draw upon this amount for the amount of the budget contribution, i.e. 64.167 million RM, so that the sums to be assigned to this reserve amount to:

77.00 - 64.167 = 12.833 million RM.

The London Protocol also provides, in conformity with the Plan, that if during the third Reparation year the returns from the assigned revenues exceed 1 milliard RM, one-third of the surplus (250 million RM. being fixed as a maximum) will be taken as a supplementary budget contribution. The Government considers that owing to the increased yield of the assigned revenues the supplementary Reparation contribution will reach the maximum figure of 250 million RM. during the third Reparation year. For the financial year 1926-1927, which includes seven months of the third Reparation year, a reserve has been formed to meet the supplementary contribution, which will however not be paid until the end of the year. The reserve in question will amount to 250 x 7/12 = 145.83 million RM.

From the French
Translated - CFH
Checked - RB
EP.

APPENDIX

RECEIPTS FROM TAXATION AS ESTIMATED IN THE DRAFT BUDGET FOR THE FINANCIAL YEAR 1926-1927

	millions of RM
I. TAXES ON PROPERTY, TRAFFIC, TRADE AND TRANSFER (BESITZ- UND VERKEHRSSTEUER)	
A) Recurrent Taxes:	
Income Tax (Einkommensteuer)	2 100
Corporation Tax (Körperschaftssteuer)	250
Tax on Real and Personal Property (Vermögensteuer)	400
Succession Duty (Erbschaftsteuer)	60
Turnover Tax:	
a) Ordinary Tax	1 250
b) Luxury Tax	100
Tax on conveyance of real estate(1) (Grunderwerbsteuer)	20
Tax on the circulation of Capital (Kapitalverkehrsteuer)	
a) Tax on formation or fusion of companies (Gesellschaftsteuer)	60
b) Tax on Securities (Werte)	8
c) Tax on Bourse transactions (Börsenumsatzsteuer)	50
Tax on Automobiles (Kraftfahrzeugsteuer)	70
Tax on Insurance transactions (Versicherungssteuer)	36
Tax on Betting and Lotteries (Rennwett und Lotteriesteuer)	
a) Tax on Betting (Rennwettsteuer)	40
b) Tax on Lotteries (Lotteriesteuer)	25
Tax on Bills of Exchange (Wechselsteuer)	50
Transport Tax (Beförderungssteuer)	
a) passengers	170
b) goods	155
Total - recurrent Taxes	4 844
B) Non-recurrent Taxes	
Tax on revalorised bonds	30
Total for Taxes on Property, Traffic, Trade and Transfer (Besitz- und Verkehrsteuer)	4 874

(1) Part collected by the Reich direct.

	millions of RM
II. CUSTOMS AND EXCISE DUTIES	
A) Assigned:	
Customs (Zölle)	580
Tobacco Tax (Tabaksteuer)	655
Sugar Tax (Zuckersteuer)	265
Beer Tax (Biersteuer)	275
Spirit Monopoly (Branntweinmonopol)	172
Total for the assigned Taxes	1 947
B) Other Excise Duties:	
Tax on Acetic Acid (Essigsäuresteuer)	2
Wine Tax (Weinsteuer)	75
Salt Tax (Salzsteuer)	17.5
Tax on Matches (Zundwarensteuer)	11.4
Tax on Lighting Materials (Beleuchtungsmittelsteuer)	8
Tax on Playing Cards (Spielkartensteuer)	1.8
Statistical dues (Statistische Gebühren)	2.5
Saccharine Monopoly	0.6
Total of other Excise Duties	118.8
Total of Customs and Excise Duties	2 065.8
TOTAL OF ESTIMATED REVENUE FROM TAXATION	6 939.8

From the French
Translated - CFH
Checked - RB
RMD

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a.- Doc. 161

Berlin, January 15, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE FINANCES OF THE REICH.

1. Modifications in the Tax on Salaries and Wages.
2. Exceptional grants to civil and military officials and pensioners.
3. Increased rates of unemployment relief.

In December 1925, at the end of the session, the Reichstag passed three laws which are likely to effect considerably the budgets of the Reich and the States.

I.

LAW MODIFYING THE TAX ON SALARIES AND WAGES (LOHNABZUG). (December 19, 1925 - Reichsgesetzblatt I, 1925, page 469)
(See Doc. 132)

The above Law applies a provision which was voted last summer (Law of September 3, 1925, Reichsgesetzblatt I, 1925, page 331), according to which: "should the revenue from the Tax on Salaries and Wages during the period October 1, 1925, to March 31, 1926, or subsequently during two consecutive quarters, be in excess of the amount of 600 million RM., the Government of

the Reich is to submit a Bill allowing larger amounts to be deducted for family upkeep and the minimum necessary to existence."

The revenue collected from April 1 to October 30, 1925, was very much in excess of the estimated monthly average of 100 million RM; the Government therefore submitted a Bill on December 4, 1925, which was voted by the Reichstag with modifications which extend the scope thereof. The Bill contained the following provisions:

A. Tax on Salaries and Wages.

The salary or wage exempt from the Tax is made up[1]:

		per annum	per month
1.	of the minimum revenue exempted	720 (600)	60 (50)
2.	of "extraordinary outgoings" (Sonderleistungen)	240 (180)	20 (15)
3.	Werbungskosten ("expenditure incurred for the acquisition, securing and maintenance of income"), minimum :	240 (180)	20 (15)
	Total :	1200 (960)	100 (80)

In addition, a deduction of 10 per cent (10 per cent) is allowed on the taxable portion of the salary or wage for the wife and each child still under age.

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(1) The figures in brackets refer to the deductions which are at present allowed, and which have been in force since October 1, 1925.

Should the tax payer find it more to his advantage, he may claim a lump-sum deduction, calculated as follows[1]:

	per annum	per month
Deduction for wife	120 (120)	10 (10)
Deduction for 1 child	120 (120)	10 (10)
Deduction for 2 children	240 (240)	20 (20)
Deduction for 3 children	480 (480)	40 (40)
Deduction for 4 children	720 (600)	60 (50)
and each further child	960 (600)	80 (50)

The new rates are applicable as from January 1, 1926. (The attached table gives examples of the Tax as calculated on the new system and on the systems in force previously).

B. Income Tax.

In order that there may be harmony between the general provisions of the Income Tax and the new provisions of the Tax on Salaries and Wages, the following modifications have been introduced into the former:

1) Income exempt from the Tax.

The annual income of a taxpayer is exempt from the Tax if it is inferior to the following amounts:

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(1) The lump sum deduction is of advantage only in the case of low salaries or wages, or where there are a great number of children. The minimum figure for the monthly salary or wage upon which the tax payer can apply the proportional system of a ten per cent reduction with advantage varies between 200.49 RM, in the case of a childless household, and 611.49 RM for a family of eight children.

In the case of an unmarried taxpayer		1300 marks	(1100)
" a married taxpayer		1400 "	(1200)
" " "	father of 1 child	1500 "	(1300)
" " "	2 children	1680 "	(1480)
" " "	3 "	2040 "	(1840)
" " "	4 "	2580 "	(2290)
" " "	5 "	3300 "	(2740)

For each child over and above 5 children, the figure of 3300 marks (2740) is increased by 720 marks (450).

2) Deductions from the basic salary or wage, and for family expenses.

Where the income exceeds the minimum liable to taxation, the taxpayer may deduct from his gross income:

a) 240 marks (180) minimum amount to meet "extraordinary outgoings" (Sonderleistungen), such as contributions to social insurances, etc.

b) as minimum exempt from the Tax, 720 marks (600), but only where the income does not exceed 10,000 marks;

c) he is further entitled to make the following deductions to meet family expenditure: for the wife and each child of the taxpayer, a deduction per head equal to 8 per cent of the taxable income (gross income less 720 + 240 RM); this deduction may only be made on a maximum income of 600 RM (540) per person dependent on the taxpayer, and a maximum of 8000 RM (8000) per family.

The following lump sum deductions may be made, where they are found to work out more advantageously for the taxpayer:

Deduction for wife	100	marks	(100)
Deduction for first child	100	"	(100)
Deduction for second child	180	"	(180)
Deduction for third child	360	"	(360)
Deduction for fourth child	540	"	(450)
Deduction for fifth and each subsequent child	720	"	(450)

3) The rates of the Tax applicable to income thus calculated are not modified.

FINANCIAL EFFECTS OF THE LAW.

According to Government estimates, the annual yield to be expected from the Tax on Salaries and Wages in its new form may be taken at 1203 millions approximately. During the period April 1 to November 30, 1925, the Tax brought in 988.9 million RM, i.e., a monthly average of about 120 million RM. The application of the new provisions is therefore likely to result in an approximate annual reduction of 1440 - 1203 = 237 million RM.

No estimate has been made of the reduction which an application of the new provisions to other classes of taxpayers will create.

The memorandum accompanying the Bill contains some information with regard to the number of taxpayers subject to the Tax on Salaries and Wages, together with their distribution according to salary. This information makes it possible to draw up the following table (the figures are only approximate, having been based on averages calculated arbitrarily) :

	Marks				
Average income	1 750	3 600	6 600	12 000	20 000
Number of taxpayers (in thousands)	17 024	1 619.7	225	59.74	33.35
Total income (in millions of marks)	29 792	5 830.92	1 485	716.88	667

The total income of the above stated 19 million taxpapers gives a total for salaries paid of 38 491.8 million RM. In order to obtain the total of all salaries paid in Germany, the above figure must be increased by the salaries received by the 3.3 millions employed, which are under the legal minimum and therefore exempt from the Tax.

II.

EXCEPTIONAL GRANTS ALLOWED AT CHRISTMAS TIME TO CIVIL AND MILITARY OFFICIALS AND PENSIONERS, etc.

On December 16, 1925, the Reichstag voted, and the Reichsrat approved a provision by which lesser-paid officials and civil pensioners were accorded a special grant on the occasion of Christmas (Reichsbesoldungsblatt 1925, No. 44).

The special grant was graduated as follows:

Officials in Classes I to IV ... one-quarter

Officials in Classes V and VI ... one-fifth

of their total December pay (including the various allowances).

The grants to pensioners, widows and orphans were calculated on the same basis.

As a minimum, 30 marks was fixed for an unmarried official, and 40 marks for a married official, plus 5 marks per child, etc.

Wounded and disabled soldiers also obtain a supplementary grant equal to a quarter of their December pension.

According to the Reporter to the Reichsrat, the above measures will entail the following expenditure:

for the Reich	34	million RM
for the Railways	23	" "
for the Postal Service	22	" "

In the case of the Reich, it would appear that the expenditure incurred on account of these grants is to be met out of the "special reserve for expenditure on account of staff", amounting to 60 million RM, which was formed out of the surplus of 496.4 millions of the financial year 1924.

III

INCREASE IN THE MAXIMUM RATES FOR UNEMPLOYMENT RELIEF

Finally, on December 12, 1925, the Reichstag adopted the principle of an increase in the maximum rates for unemployment relief. As a result of this decision, the Minister of Labour promulgated a Decree on December 17, 1925 (Reichsanzeiger 1925, No. 296), regulating the rates for the period December 14, 1925, to May 1, 1926.

A comparison between the rates fixed by the Decree of January 30, 1925, and the maximum rates fixed by the new Decree shews the following increases:

relief to unemployed	about 20 per cent
relief to members of the families of unemployed	" 10 " "
relief to unemployed and to the members of their families (together)	" 10 " "

The following table gives some examples of the new rates:

Germany, divided into territories.

	I (EAST)	II (CENTRAL)	III (WEST)
	in Reichsmarks		
Unemployed over 21 years of age	1.11 to 1.38[1]	1.32 to 1.62[1]	1.41 to 1.74[1]
Unemployed under 21 years of age	0.68 to 0.83	0.80 to 0.98	0.84 to 1.05
Supplement for wife	0.39 to 0.48	0.46 to 0.55	0.48 to 0.60
Supplement per child and member of family	0.27 to 0.33	0.33 to 0.39	0.36 to 0.42

The maximum rates for relief paid to an unemployed person and the members of his family are the following:

I. East ..... from 2.55 to 3.15 RM[1]

II. Central ..... " 3.00 " 3.60 RM

III. West ..... " 3.25 " 4.00 RM

During the discussion before the Finance Committee of the Reichstag, Secretary of State Fischer pointed out that, for the period December 1925 to March 1926, it was expected that the Reich would have to meet additional expenditure amounting to 48 millions, the same amount having to be found by the States, supposing that the contribution - paid half by employers and half

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(1) According to the locality.

by employees - is raised without exception to 3 per cent of the basic salary (1). The States declared that they could not take this sum from their budgets.

The figures given have only a very approximate value; they depend essentially on the number of unemployed, which cannot be estimated in advance; if they are taken, they represent an additional expenditure for the Reich of 13 to 14 millions per month, and a similar charge on the States.

(signed) L. GAILLET BILLOTTEAU

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(1) This rate, which is now applied in Berlin, is the maximum rate provided; hitherto it has only been applied in certain districts particularly hard-hit by unemployment.

From the French
Translated - CFH
Checked - RB

TAX ON SALARIES AND WAGES
AS LEVIED UNDER THE NEW LAW
AND UNDER THE SYSTEMS RULING HITHERTO

Monthly salary		Deductions	Unmarried	Married	Number of Children 1	2	3	4	5	6	7	8
	a)	80	2	1.80	1.60	1.20	-	-	-	-	-	-
	b)	80	2	1.-	-	-	-	-	-	-	-	-
100	c)	100	-	-	-	-	-	-	-	-	-	-
	a)	80	7	6.30	5.60	4.-	2.80	1.40	-	-	-	-
	b)	80	7	6.-	5.-	3.-	-	-	-	-	-	-
150	c)	100	5	4.-	3.-	1.-	-	-	-	-	-	-
	a)	80	12	10.80	9.60	7.20	4.80	2.40	-	-	-	-
	b)	80	12	10.80	9.60	8.-	4.-	-	-	-	-	-
200	c)	100	10	9.-	8.-	6.-	2.-	-	-	-	-	-
	a)	80	22	19.80	17.60	15.40	11.-	6.60	2.20	-	-	-
	b)	80	22	19.80	17.60	15.40	13.20	9.-	4.-	-	-	-
300	c)	100	20	18.-	16.-	14.-	12.-	6.-	-	-	-	-
	a)	80	32	28.80	25.60	22.40	16.-	9.60	3.20	-	-	-
	b)	80	32	28.80	25.60	22.40	19.20	16.-	12.80	9.60	-	-
400	c)	100	30	27.-	24.-	21.-	18.-	15.-	8.-	-	-	-
	a)	80	42	37.80	33.60	29.40	21.-	12.30	4.20	-	-	-
	b)	80	42	37.80	33.60	29.40	25.20	21.-	16.80	12.60	8.40	4.20
500	c)	100	40	36.-	32.-	28.-	24.-	20.-	16.-	10.-	2.-	-

a) Since June 1, 1925.
b) Since October 1, 1925.
c) As from January 1, 1926.

From the French
Translated - CPH
Checked - EB
RMD

I.I.9.54. a.- Doc. 162.

BERLIN, January 18, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE POSITION OF AGRICULTURISTS IN GERMANY

(according to a Memorandum of the Prussian Government).

The Prussian Minister of Agriculture recently communicated to the Governments of the Reich and the States a memorandum treating of "agricultural distress in Germany and the means of relieving the situation". Below is given a detailed résumé of the memorandum in question.

Position of agriculture.

Agricultural concerns are finding it more and more difficult to balance their budgets. Their general expenditure has increased considerably. The following figures show the rise in articles of daily consumption :

	Price in terms of the percentage of pre-war prices.
Lignite briquettes	148 per cent
Kitchen utensils, foot-gear	188 " "
Masonry work	211 " "
Shoeing of animals	200 " "
Wages of trained workers	250 " "
Clothing	300 " "

The taxes are so heavy that they can only be paid by drawing upon the capital of the concerns; transport is dear; salaries and social dues steadily increase.

On the other hand the prices of the principal agricultural products have fallen considerably; cultivators in need of ready money cannot wait for a favourable moment to sell their crops. The position is all the more serious because a fair proportion of the short-term debts contracted during recent years (partly owing to poor crops) is now falling due. There being no reserves to fall back upon, agriculture finds itself "stuck fast".

Consequences of agricultural distress.

This being so, many cultivators are likely to be ruined. Those who succeed, for the time being at least, to keep themselves afloat, will have to change their methods and pass from intensive to extensive culture in order to reduce expenditure. In some districts farmers have already been constrained to reduce their staff and to give up the use of fertilisers. The following table shows that the sales of nitrates have decreased appreciably since 1924 :

	1925		1924	
May	9 500	t.N.	9 600	t.N.
June	15 000	"	3 000	"
July	18 000	"	9 600	"
August	20 000	"	20 000	"
September	17 000	"	34 000	"
October	4 800	"	31 000	"

The requirements in artificial manures for the remainder of the current agricultural year (November 1925 to April 1926 inclusive) may be estimated as follows :

1.	Nitrates: 42 600 tons per month, i.e.	42.6 million marks
2.	Potash: 66 000 tons per month, i.e.	6.8 " "
3.	Phosphoric acid: 36 000 tons per month, i.e.	12.6 " "
4.	Lime: 130 000 tons per month, i.e. . . .	1.7 " "
	Total:	63.7 million marks

per month, or for the remaining six months 382.2 million marks (in round figures 400 million RM).

A comparison between the selling prices for nitrates in September-October 1925 with the corresponding figures for 1924 clearly indicates that agriculture cannot cover its requirements in fertilising manures for the 1926 harvest. In the interests of the public a generalisation of extensive culture must be strongly opposed.

Measures to be taken to overcome the crisis.

Just as the causes of the present crisis are varied in nature, so are the measures to be taken to improve the situation.

1. Prices.

The Customs Tariff, which came into force on September 1, 1925, has not had the desired effect upon the prices of agricultural products. The following figures go to prove this:

Relation in percentages between the average prices for the principal agricultural products in October 1925 and the corresponding pre-war prices :

Rye	88.67	per cent
Wheat	106.35	" "
Oats	111.88	" "
Potatoes	74.12	" "
Barley	128.74	" "
Hogs	161.70	" "
Cattle	88.59	" "
Sheep	117.80	" "

It will therefore be expedient to press forward to its realisation the scheme at present under discussion, for the creation of an Office to control and stabilise the price of bread cereals.

2. Taxes. On the other hand the taxes levied on agriculture will have to be readjusted and brought within the scope of the possible. First and foremost, the system in force for assessing Income Tax must be revised. In order to calculate the income of cultivators who do not keep books, normal rates (Normalsätze) have been fixed which are often in excess of the reality. There are not many small landowners, whose book-keeping is sufficiently satisfactory to meet the requirements of the Revenue authorities; the Revenue Offices (Finanzämter) have therefore to be prepared to show an accommodating spirit when dealing with the figures supplied by this class of taxpayer. This is all the more

necessary, because - for the taxation year 1925-1926 - the "normal rates" are to be applied for assessing the amount of provisional payments to be effected on account of the Income Tax and the Turnover Tax.

With regard to respite of payment, it is certainly true that the central offices have instructed the Collecting Offices to deal gently with the said taxpayers, but to judge by the complaints of the agriculturalists, the instructions have not always been followed. It will have to be considered whether - in certain districts where there have been bad harvests several years in succession - it would not be possible to grant a general respite of payment to all the taxpayers.

3. Transport rates. The question of transport rates plays an important part, especially in the Eastern provinces. Formerly, when the railways were exploited by the Reich, agriculture could easily obtain reduced tariffs during difficult periods. This has not been the case since the Reichsbahn has been practically independent of the State authorities in questions of freights. The strict policy followed by the Reichsbahn is particularly painfully felt by the agriculturalists in East Prussia. Since a general reduction of rates is not possible, an attempt must be made to adapt the rates to the requirements of agriculture in special cases.

4. Social Charges. Social charges have increased by more than 100 per cent as compared with the figures for 1913. Agriculture cannot

therefore be blamed for considering any further increase of these charges to be inadmissible.

5. Interest. It is absolutely necessary to reduce the present rate of interest. Rates of 12 to 14 per cent on mortgage loans and of 18 per cent and over on personal credits, exclude all possibility of working at a profit.

6. Credit. In order to increase the "liquidity" of the funds at the disposal of agriculture, agricultural credits must be reorganised on a vast scale.

In order to realise the object in view, it is necessary clearly to understand the difference between the normal credit conditions in the past and the abnormal conditions ruling at the present day.

Before the War, agriculturalists chiefly had recourse to mortgages, they were very rarely interested in short-term loans. The War completely reversed the position. The shortage of mortgage credits forced agriculturalists to contract personal short-term loans. They could not meet all their engagements out of the proceeds of the last harvest; the debts of the past year have not yet been entirely repaid. The heavy burden of revalorised debt has recently been added to these short-term debts.

The following table allows of a comparison being made between the pre-war debt and the present debt of Prussian agriculture :

A. Pre-war debts of Prussian agriculture (present territory).

Mortgage debts : 9 milliard marks, annual interest thereon : 360 million marks.

B. Present debt.

a) mortgage debt:

mortgages revalorised approximately	2 milliard RM	Interest charged at the present date.....	50	million RM.
		as from I.I.26	60	" "
		as from I.I.28	100	" "
new mortgage debt approximately	1.2 " "	interest charged on an average 12 per cent, i.e.	144	" "
debt to the Rentenbank	1.2 " "	interest charged 5 per cent, i.e.	60	" "
Total:	4.4 milliard RM	Total:	254	million RM.
		as from 1.1.26	264	" "
		as from 1.1.28	304	" "

b) personal debt:

	Falling due		
	before the next harvest		after the next harvest.
	millions of RM.	millions of RM.	
Rentenbank credit	870	140	730
State credits for sowing	110	80	30
Credit granted by the Reich through the intermediary of the Preussenkasse	65	65	-
Surpluses of the Reichsgetreidestelle (Cereals Office of the Reich) through the intermediary of the Preussenkasse	60	60	-
Carried forward	1105	345	760

	millions of RM.	Falling due before the next harvest millions of RM.	Falling due after the next harvest millions of RM.
Brought forward:	1 105	345	760
Credits from the Rentenbanktreuhandstelle	160	160	-
Remainder of the credits granted by the Seehandlung for bringing in the harvest ...	22	22	-
Credits from the Reichsbank; more particularly for the purchase of fertilising manures	200	200	-
Other credits from the Preussenkasse	250	250	-
Credits from other Credit Institutions and private credits.....	300	300	-
Total:	2 037	1 277	760
		millions of RM.	
of this total approximately are due in Prussia alone.	1 500	820	580

Respite of Payment for Personal credits.

The above table shows that - apart from the credits received from the Rentenbank and from the State for sowing - all the personal debts fall due before next year's harvest. It being impossible for the amounts to be paid off in full, the question of respite must be considered.

In the first place, the Reich should consider whether, and to what extent, it might be possible to extend the time limits for payment of its loans, amounting to 125 million RM; it would

also appear as if the Rentenbank might be able to grant similar facilities in connection with the 160 million RM lent by the Treuhandstelle and due for payment on March 1, 1926. If the other Credit Institutions show the same conciliatory spirit, it will be possible to defer payment of the greater part of the personal credits until the next harvest has been gathered in.

It would be in the interest of all concerned, were the Reichsbank to give an assurance as soon as possible that it will not demand reimbursement before the next harvest of the sums already granted and still to be granted by it, in order to permit of the agriculturalists obtaining the 400 million RM's worth of manures which are indispensable.

Conversion of personal debts into mortgage debts.

The position of agriculture will not be definitely improved until a large part of the personal debts have been converted into mortgage debts paying a reasonable rate of interest. In regard to Prussia in particular, half at least of the personal debt amounting to 1500 million RM must be converted into mortgage debt.

Furthermore, it would be well to consider even at the present date whether, in view of the heavy charges to be met next year, it would not be possible to defer by one year the repayment of the Rentenbank credits falling due in 1926 and 1927.

Foreign mortgage credits.

In order to realise the conversion of the short-term debt, the home market will naturally have to be drawn upon first.

The possibilities of this market are however restricted, and it will not be possible to avoid calling in foreign capital. The 105 million RM which the Rentenbank collected abroad will only cover a very small portion of the requirements. It is imperative that this source of credit should be extended with all speed. The rate of interest, i.e. approximately 9.8 per cent, charged by the Rentenbank on its loans is less of a burden than the rate charged on mortgage loans to be obtained on the German market, which more often than not amounts to 12 per cent. By this it is not meant that the 9.8 per cent charged by the Rentenbank are not too heavy a burden for German agriculture to support. The object of negotiations with foreign lenders will be the obtaining of a lower rate of interest and a higher rate of issue.

Public Funds. Certain public services, more especially the Reichsbahn and the Postal Service of the Reich are in a position to devote considerable sums to agricultural credits. In order to meet unexpected calls upon them (strikes, accidents &c) these Services are obliged to form considerable reserves. For example the Postal Service of the Reich is known to have paid to reserve 68.8 million RM. in 1924. If it is true, as is said to be the case, that the Postal Service of the Reich hopes to be able to transfer to the 1926 budget a considerable surplus from its profits for the working year 1925, this means that the said Service is counting upon sufficiently favourable results for 1925 to enable it to increase its reserves still further. Doubtless the fact that the reserves formed by public services must always be available makes them

unsuitable for long-term investments: but if the Reichsbank would be willing to undertake to advance the necessary funds to meet unforeseen occurrences, a large part of the reserves could be invested in long-term agricultural loans or in mortgage bonds secured by agricultural mortgages.

On the other hand it might perhaps be possible to utilise the 500 million RM preference shares of the Reichsbahn in favour of agriculture. In this case also the Reichsbank would appear to be the source best indicated to mobilise these funds for the above purpose.

Finally, it is stated that the Reich has formed a considerable reserve to meet the reparation payments to be effected from its budget revenue. It will be expedient to examine whether these sums cannot be utilised in the interest of agriculture for more or less lengthy periods. The loans would naturally have to be distributed at reasonable rates. The question of a reduction in the rate of interest payable on public funds cannot of course be solved unless regard is had to the necessity of not injuring other economic branches. But it cannot be too often repeated that the sacrifice represented by a reduction in the rate for loans to 6 per cent would be insignificant as compared with the suffering which a collapse of agriculture would bring upon the country.

Insurance Institutions and Savings Banks.

The reserves accumulated by the Public Insurance Institutions, Private Insurance Companies and Savings Banks should constitute another source of mortgage credit for agriculture. It is true that, at the moment, the insurances against illness, accidents and old age are not in a position to supply funds of any significance, but the employees' insurance (Angestelltenversicherung) has a considerable reserve in capital, as is also the case with the private insurance companies, the reserves of which are quite suitable for long-term mortgage investments. The Laws of July 13, and 19, 1923 allowed public and private insurance institutions great liberty of action in regard to the investment of their funds. These measures, which were a necessity during the Inflation, could most certainly be abolished now that German currency has been stabilised. A Law ought to be promulgated obliging insurance institutions and Savings Banks to invest a portion of their funds in agricultural mortgages.

From the French
Translated - CFH
Checked - RB
EP.

I.I.9. 414.

Doc. No. 163

Berlin, January 20, 1926.

THE BALANCE SHEET OF THE RENTENBANK

AS ON DECEMBER 31, 1925.

(See Doc. 157)

The following is the comparison between the balance sheet of the Rentenbank as on December 31, 1925, and the balance sheet as on November 30, 1925.

ASSETS	Balance sheet of December 31, 1925. RM	Difference as compared with that of November 30, 1925 (+ or -) RM
Charges upon German agriculture	2 000 000 000	-
Rentenbriefe as on 30.11.25 Rentenmarks 1 999 844 000 as on 31.12.25 Rentenmarks 1 999 844 000		
Loans to the Reich	1 077 646 990.69	- 2 353 008.61
Outstanding credits (including RM 9 millions granted to the Reich for clearing ground)	586 889 722	-
Balance in hand, giro accounts and postal cheque accounts, and cash in hand	102 388 938.15	+ 6 989 145.61
Office furniture and supplies	61 485.65	+ 9 898.80
Miscellaneous assets	28 443 307.18	- 3 360 330.52

LIABILITIES	Balance sheet of December 31, 1925. RM	Difference as compared with that of November 30, 1925. (+ or -) RM
Capital	2 000 000 000	-
Rentenbank notes in circulation	1 608 772 199	- 2 353 008
Redemption of Rentenmarks in conformity with §7c of the Law on the liquidation of Rentenbank notes	55 608 514.68	-
Rentenbriefe in circulation	156 000	-
Credit of the Rentenbank Credit Institution	29 642 771.81	- 1 239 957.95
Reserves	5 272 723.95	- 170 000
Miscellaneous liabilities	3 087.50	+ 2 575
Carried forward	11 109 591.79	-

In conformity with § 7a of the Law on the Liquidation of the Rentenbank, 2 353 008.61 Rentenmarks representing interest paid by the agricultural mortgagors have been paid into the Sinking Fund at the Reichsbank. "Loans to the Reich" and the "circulation of Rentenmark notes" have decreased accordingly.

Since the Law on the liquidation of Rentenbank Notes came into operation the following sums have been paid into the Sinking Fund:

Rentenmarks	62 353 009.31	under § 7a	of the Law
	60 000 000	7b	"
	55 608 514.68	7c	"
	293 444 861	11	"

making a total of " 471 406 384.99

In order to adjust themselves to the reduction in the discount rate of the Reichsbank the Rentenbank and the Rentenbankkreditanstalt have decided to lower by 1 per cent as from January 12, 1926, the rate of interest on all their loans to private loan banks. In general the result of this reduction will be to lower to 10.5 per cent the rate of interest to be paid by the borrower in the last instance.

From the French
Translated -JMP
Checked BWS
EL.

I.I. 9.322

Doc. No. 164

Berlin, January 20, 1926

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE

DURING THE MONTH OF DECEMBER 1925.

(See Doc. 153)

I. The receipt and payments of the Reichshauptkasse for the month of December 1925 amounted to the following figures:

	December 1925	April to December 1925
	(millions of RM)	
Receipts	540.1	5 485.8
Payments	581.0(minus)	5 648.4
Surplus of payments	40.8	162.6

1. RECEIPTS.

The receipts for December are composed of:	millions of RM
a) Receipts from taxation collected during the month	487.4
minus receipts from controlled revenues for the month not yet retransferred to the Reichshauptkasse	- 171.0
plus receipts from controlled revenues for November re-transferred to the Reichshauptkasse in December	+ 150.9
or a total of	467.3
b) Administrative receipts collected during December	72.9 (minus)
making a total of	540.1

2. PAYMENTS.

The payments are made up as follows:

a) General administrative payments, including payments in connection with the execution of the Peace Treaty	368.6
b) Transfers of taxes to the States and Communes	171.9
c) Reparation payments	40.4
Total payments	581.0 (minus)

II. FLOATING DEBT.

The figures for the Floating Debt including liabilities and guarantees (Treasury Bonds issued in America, debt in Dutch

florins etc.)are as follows:

		November 30 1925	December 31 1925
		(millions of RM)	
	Liabilities	18.6	18.6
	Guarantees	52.3	52.4
	Total:	71.0(minus)	71.0

Doc. No. 164

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE APRIL 1, 1925.

(in millions of RM)

RECEIPTS.

	Receipts from taxation	Administrative receipts	Total
April 1925	651.9	16.4	668.4(minus)
May "	618.3	11.4	629.7
June "	543.8	3.2(minus)	546.9
July "	689.5	3.1	692.7
August "	535.4	22.5	557.8
September "	509.6	29.5	539.1
October "	731.4	18.5	749.9
November "	504.2	56.9	561.2(minus)
December "	467.3(minus)	72.9(minus)	540.1
Total:	5 251.4	234.4	5 485.8

PAYMENTS.

	General Administration	Transfers to States and Communes	Reparation payments	Total
April 1925	415.7	234.0	-	649.7
May "	408.8	238.2	-	647.0
June "	362.1	224.1	-	586.3(minus)
July "	405.7	224.1	-	629.8
August "	360.7	243.1	-	603.8
September "	408.1	167.1	57.8	633.0
October "	465.5	197.5	45.6	708.6
November "	350.5	212.9	45.9	609.3
December "	368.6	171.9	40.4	581.0(minus)
Total:	3 545.8	1 912.9	189.8(minus)	5 648.4

SURPLUS (+) or DEFICIT (-) :

April 1925	+ 18.6
May "	- 17.3
June "	- 39.3
July "	+ 62.9
August "	- 46.0(minus)
September"	- 93.9
October "	+ 41.3
November "	- 48.1
December "	- 40.8
Total	-162.6

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I.I. ~~9.165~~ Doc. 165

Berlin, January 26, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH

FOR THE THIRD QUARTER OF THE FINANCIAL YEAR 1925-1926

AND FOR THE MONTH OF DECEMBER 1925.

(see Doc.158)

The Deutscher Reichsanzeiger N°. 12 publishes the summary of tax receipts of the Reich for the month of December 1925. Below will be found the usual table showing the receipts from the principal categories of taxation for that month as well as for the third quarter of the current financial year.

	Estimated Receipts		Receipts collected						
	Fin. Yr. 1925/26 (1)	Monthly average (1)	Monthly averages Fin. Yr. 1924/25	1st Qr. 1925/26	2nd Qr. 1925/26	3rd Qr. 1925/26	Nov. 1925	Dec. 1925	From 1 Apr. 25 to 31 Dec.
	(in millions of R.M.)								
I. Taxes on income, sales, transport &c:									
a) recurring	4 663.0	388.6	473.8	451.7	405.8	403.0	372.9	304.3	3781.8
b) non-recurr.	66.0	5.5	6.6	5.8	2.4	7.5	4.3	3.7	47.0
II. Customs & taxes on beer, tobacco, etc..									
a) assigned	1 425.3	118.8	119.-	140.1	170.7	146.8	150.9	171.0	1372.7
b) other	89.5	7.4	10.2	10.7	7.3	8.9	8.7	8.4	80.9
III. Miscellan.	-	-	0.6	0.1	0.1	0.1	-	-	0.6
IV. Surplus	100.0	8.3	-	-	-	-	-	-	-
Total. . .	6 343.8	528.6	610.2	608.4	586.3	566.3	536.8	487.4	5283.0

(1) Figures of the draft budget. The final figures are not yet known.

The aggregate receipts for the third quarter of the financial year (monthly average) show a reduction of 20 millions as compared with those for the second quarter, of 42.1 millions as compared with those for the first quarter, and of 43.9 millions as compared with the monthly average for the preceding financial year. These diminutions must be regarded as being due partly to the tax reductions allowed during the year and more particularly to the application during the second and third quarters of longer terms for payment.

The December receipts are lower than any collected since the beginning of the financial year 1924 (with the exception of the receipts for June 1924, namely RM 472.3 millions). It must however be remembered that since the application of the Law of May 10,1925, the tax payments are unequally distributed over the three months of each quarter, the two latter months being "lean" months.

The tax receipts for December are 49.4 millions less than those for November. The taxes on income, sales, transport, etc. have decreased by 68.6 millions, whereas the assigned receipts from customs and taxes on beer, tobacco, etc.. have increased by RM 20.1 millions.

II. The following table shows the details of the receipts from the taxes on income, sales, transport etc.

. . . .

(in millions of RM)

	Estimated receipts.		Receipts collected						
			Monthly averages						
	Finan. year 1925-26	Monthly average	Finan. year 1924/25	1st Qr. 1925-26	2nd Qr. 1925-26	3rd Qr. 1925-26	Nov. 1925	Dec. 1925	From 1-4-25 to 31-12-25
ncome tax									
) on wages			111.0	131.7	118.2	117.3	118.1	112.7	1 101.7
) on income from capital			1.6	13.1	5.2	3.5	2.1	2.1	65.6
) on other forms of income			71.8	63.8	63.2	66.6	33.4	27.5	580.7
ogether ...	1 700	141.7	184.4	208.6	186.6	187.4	153.6	142.3	1 748.0
orporation tax	300	25.0	26.2	18.2	13.0	15.3	4.2	3.4	139.8
ax on real & personal property	500	41.7	41.6	22.4	5.5	28.5	60.6	20.0	169.1
urnover tax:									
) ordinary	1 380	115.0	149.9	123.6	126.3	112.0	96.5	83.1	1 085.5
) luxury tax	120	10.0	9.9	9.2	7.4	5.2	5.1	4.6	65.5
ax on bourse transactions	96	8.0	9.4	4.9	4.1	1.9	1.8	1.7	32.7
ransport tax	282	23.5	26.0	27.1	31.0	28.1	28.7	25.4	258.4
ther taxes	285	23.7	26.4	37.7	31.9	24.6	22.4	23.8	282.8
o t a l	4 663	388.6	473.8	451.7	405.8	403.0	372.9	304.3	3 781.8

For the third quarter the receipts remained approximately the same as for the second (monthly average, RM 2.8 millions less). The receipts from the tax on wages shew only a slight decrease (0.9 millions) - this decrease ought to have been more marked since, as from October 1, abatements for family charges, which are in general more advantageous for the taxpayer, were applied in the computation of the tax, but the increases in wages counterbalanced the effect of these measures.

in the receipts seems to reflect in part the falling off in November business.

Lastly, the receipts from the Transport Tax have also decreased (3.3 millions). Moreover, the monthly return of the German Railway Company shows a reduction in receipts and traffic for December.

During December in accordance with the Steuerüberleitungsgesetz the refunding of the amounts overpaid in the preceding year was continued. According to a note attached to the table in the Deutscher Reichsanzeiger the following amounts were refunded :

	December 1925	From April 1,1925 to Dec. 31,1925.
On other forms of Income Tax	722.6	3 359.2
On Corporation Tax	1 160.0	3 347.4

IV. The following table shows the detailed figures for the receipts from the assigned customs and taxes on beer, tobacco etc.

(in millions of RM)

	Estimated receipts		Receipts collected						
			Monthly averages						
	Fin. Yr. 1925/26	Monthly average	Fin. Yr. 1924/25	1st Qr. 1925/26	2nd Qr. 1925/26	3rd Qr. 1925/26	Nov. 1925	Dec. 1925	From 1 Apr. 25 to Dec. 31,25
toms	356.1	29.7	29.7	37.2	49.3	54.6	53.1	49.9	423.6
acco Tax	560.2	46.7	42.8	50.7	57.4	48.1	59.1	69.0	468.8
ar Tax	185.0	15.4	18.3	20.3	28.1	10.5	5.7	19.2	176.6
r Tax	174.0	14.5	16.4	21.7	26.3	18.6	19.8	14.9	199.7
rit Mono									
y.	150.0	12.5	11.8	10.2	9.6	15.0	13.2	18.0	104.0
Total	1 425.3	118.8	119.-	140.1	170.7	146.8	150.9	171.0	1372.7

The decrease in the receipts from the Beer, Tobacco and Sugar Taxes during the 3rd quarter as compared with the 2nd, is due to the granting of longer terms for payment (see Doc. 152).

For the month of December the receipts from the Tobacco Tax show a marked increase, due probably to the large sale of banderoles during the period August 16 to September 15, 1925 in anticipation of the increase in the tax as from October 1. (1)

The receipts from the Sugar Tax increased from RM 5.7 millions to RM 19.2 millions. The November receipts related only to sales effected from September 16 to 30, whereas the December receipts relate to the sales of an entire month (October).

The reduction in the receipts from the Beer Tax may be attributed to the season of the year.

M.H.

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(1) The terms for the payment of the Tax on the Raw Materials (Materialsteuer) will begin as from March 1926, and not as from April 1926, as indicated in Doc. 158.

From the French
Translated - JMP
Checked - RB

LTM

I.I. 9.343 Doc. 166

Berlin, January 28, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT NOVEMBER 30, 1925.

(See Doc. No. 156)

The attached table shews the public debt of the Reich as at November 30, 1925 (see Wirtschaft und Statistik 1926, No. 1).

	millions of RM
Total figure of the Debt as at November 30, 1925	2 419.9
" " " " " " " October 31, 1925	2 439.4
Decrease during November 1925	19.5

The following are the alterations in the various items:

TREASURY BONDS. A decrease of 0.4 millions in the value of K bonds in circulation entails a corresponding decrease in the total of this item.

DEBTS TO BANKS. The last number of Wirtschaft und Statistik contains a rectification in the figures of the debt to the Rentenbank. The reduction in this debt should be RN 55.6 millions since the month of March 1925 as a result of the payment to Sinking Fund, under § 7c of the Law on the withdrawal of Rentenbank

notes, of the Reich's share in the profits of the Reichsbank. Consequently the debt of the Reich to the Rentenbank as at October 31, 1925, has been reduced from RM 1 093.8 millions (see Doc. 156) to RM 1 038.2 millions (see attached table). The same adjustment should be made in the figures for the total debt subsequent to March 1925.

During November the debt to the Rentenbank was reduced by RM 13.8 millions (1). This sum represents the interest paid to Sinking Fund for October and November by the agricultural mortgagors, under § 7a of the Law on the withdrawal of Rentenbank notes.

The debt of the Reich to the Reichsbank remains unchanged at RM 226.5 millions.

EXTERNAL LOAN. The RM values of the various tranches of the external loan have decreased as a result of regular amortisation (reduction of RM 1.9 millions).

MISCELLANEOUS. The item "Guarantees" which consists chiefly of the debt in Dutch florins is reduced by RM 3.5 millions.

M.H.

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(1) RM 1.95 millions in October and 11.84 millions in November. It will be observed that the reduction in the interest paid to sinking fund in October appears only in the November statement.

Appendix.

Doc. 166

PUBLIC DEBT OF THE REICH

(in millions of RM) (1)

	October 31, 1925.	November 30, 1925.
I. Treasury Bonds		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	19.0	19.0
6 per cent redeemable in 1932	1.2	1.2
"K" Bonds	1.4	1.0
"E" Bonds	134.0	134.0
Reichsmark Drafts	-	-
Total	155.6	155.2
II. Debts to Banks		
Rentenbank	1 038.2 (2)	1 024.4
Reichsbank	226.5	226.5
Total	1 264.6 (2)	1 250.9
III. External Loan		
110 million dollars	441.7	440.2
21.72 million pounds sterling	434.8	434.3
25.2 million Swedish crowns	27.9	27.8
100 million lire	16.4	16.6
15 million Swiss francs	11.9	11.9
Total	932.7	930.8
IV. Other Debts		
Commitments	18.6	18.6
Guarantees	55.8	52.3
Loan to agriculture (Meliorations-kredit)	12.0	12.0
Total	86.4	83.0
GRAND TOTAL	2 439.4	2 419.9

(1) The additions give slightly different totals from the figures shewn here, since the figures are rounded off.

(2) Rectified figures.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE BALANCE SHEET OF THE RENTENBANK AS ON JANUARY 30,1926.

(See Doc. No. 163).

The following is the comparison between the balance sheet of the Rentenbank as on January 30,1926 and the balance sheet as on December 31,1925.

A S S E T S.	Balance sheet of January 30,1926. RM.	Difference as compared with that of December 31,1925. RM
rges upon German agriculture	2 000 000 000	-
tenbriefe s on January 30,1926: RM.1 699 844 000 " " December 31,1925: 1 699 844 000		
ns to the Reich	1 058 161 563.93	- 19 485 426.76
tstanding credits (including RM 9 millions granted to the Reich as credits for clearing ground for agricultural purposes)	586 889 722	-
h in hand, giro and postal cheque accounts and balance in hand	103 084 031.81	+ 695 093.66
fice furniture and supplies	67 357.35	+ 5 871.70
cellaneous assets	27 744 459.80	- 698 847.38

LIABILITIES	Balance sheet of January 30,1926. RM	Difference as compared with that of December 31,1925. RM
ital	2 000 000 000	
tenbank notes in circulation	1 589 286 772	- 19 485 427
cmption of Rentenmarks in conformity with § 7c of the Law on the Liquidation of Rentenbank notes	55 608 514.68	-
tenbriefe in circulation	156 000	-
dit of the Rentenbank Credit Institution	28 349 286.26	- 1 293 485.55
erves	5 200 883.35	- 71 840.60
cellaneous liabilities	1 912.50	- 1 175
ried forward	11 109 591.79	-

In conformity with §§ 7a of the Law on the Liquidation of Rentenbank es Rentenmarks 4 485 426.76 representing interest paid by the agricultural tgagors,have been paid into the Sinking Fund at the Reichsbank and, conformity with §§ 7 b (Payments by the Reich) Rentenmarks 15 000 000 resenting the quarterly instalment due on January 1,1926. The items ans to the Reich"and"Rentenbank notes in circulation" have decreased ordingly.

Since the Law on the Liquidation of Rentenbank Notes came into ration the following sums have been paid into the Sinking Fund:

Rentenmarks	66 838 436.07	under	§ 7a	of the	Law
	75 000 000	"	7b	"	
	55 608 514.68	"	7c	"	
	293 444 861	"	11	"	

making a total of
Rentenmarks 490 891 811.75

From the French
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Checked - NL
BB.

Doc. 168

I.I.9.321

Berlin, February 19, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

TAX RECEIPTS OF THE REICH

FOR THE MONTH OF JANUARY 1926.

(see Doc. No. 165).

The Deutscher Reichsanzeiger No. 40 publishes the summary of tax receipts of the Reich for the month of January 1926. Below will be found the usual table showing the receipts from the principal categories of taxation:

millions of Reichsmarks

	Estimated receipts		Receipts collected						
			Monthly average						
	Fin.Yr. 1925/26	Monthly average	Fin.Yr. 1924/25	1st Qr 1925/26	2nd Qr 25/26	3rd Qr 25/26	Dec. 1925	Jan. 1926	From April 1,1925 to Jan 31/26
axes on ncome, ales,trans-ort etc.									
)recurring	4 851.0	404.3	473.8	451.7	405.8	403.0	304.3	468.3	4 250.1
)non-recur-ring	60.0	5.0	6.6	5.8	2.4	7.5	3.7	5.6	52.7
ustoms and axes on eer,tobac-o, etc.									
assigned	1 735.0	144.6	119.0	140.1	170.7	146.8	171.0	178.6	1 551.3
other	124.5	10.3	10.2	10.7	7.3	8.9	8.4	10.9	91.7
iscellaneous	-	-	0.6	0.1	0.1	0.1	-	0.1	0.7
Total:	6 770.5	564.2	610.2	608.4	586.3	566.3	487.4	663.5	5 946.5

The figures indicated in the above table are those published in the final estimates for the financial year 1925/26 (Law of January 31, 1926, Reichsgesetzblatt II, p. 103). These figures, which had been known since November 1925, are RM 426.75 millions higher than the previous estimates.

The receipts collected for the first ten months of the financial year are only RM 824.0 millions less than the total estimates for the whole year. Notwithstanding the recent reductions in taxation, the figures of the estimates are almost certain to be exceeded.

The receipts for January 1926 shew an increase of RM 176.1 millions over the receipts for December 1925. This increase may be distributed over all the categories of taxation.

The receipts from the recurring and non-recurring taxes on income, sales, transport, etc., have increased by RM 165.9 millions and those from Customs and taxes on beer, tobacco, etc., by RM 10.1 millions.

II. The following table shews the details of the receipts from the taxes on income, sales, transport, etc. :

millions of Reichsmarks

	Estimated receipts		Receipts collected						
			Monthly average						
	Fin.Yr. 1925/26	Monthly average	Fin.Yr. 1924/25	1st Qr 25/26	2nd Qr 25/26	3rd Qr 25/26	Dec. 1925	Jan. 1926	From Apl 1, 1925 to Jan.31 1926
ome tax on wages			111.0	131.7	118.2	117.3	112.7	105.5	1207.1
on income from capi-al			1.6	13.1	5.2	3.5	2.1	7.0	72.6
on other forms of income			71.8	63.8	63.2	66.6	27.5	145.8	726.5
ogether	2 170.0	180.8	184.4	208.6	186.6	187.4	142.3	258.3	2006.2
poration	180.0	15.0	26.2	18.2	13.0	15.3	3.4	33.2	173.0
on Real & sonal Pro-ty	350.0	29.2	41.6	22.4	5.5	28.5	20.0	11.8	180.9
nover Tax ordinary	1 320.0	110.0	149.9	123.6	126.3	112.0	83.1	112.4	1197.9
xtra-ord. luxury)	110.0	9.2	9.9	9.2	7.4	5.2	4.6	5.6	71.1
on Bourse ansactions	43.0	3.6	9.4	4.9	4.1	1.9	1.7	2.1	34.9
nsport Tax	325.0	27.1	26.0	27.1	31.0	28.1	25.4	24.3	282.7
er taxes	353.0	29.4	26.4	37.7	31.9	24.6	23.8	20.6	303.4
Total	4 851.0	404.3	473.8	451.7	405.8	403.0	304.3	468.3	4250.1

The receipts from the Tax on Wages (collected on wages paid from December 20, 1925 to January 20, 1926) have fallen off by RM 7.2 millions. This falling off may be attributed partly to the application, as from January 1, 1926, of the new provisions raising the limit of wages exempt from the tax, as well as the deductions for family charges (see Doc. 161), and partly to the increase in unemployment. It will be noticed however that two

two public holidays (Christmas-day and January 1) have been included in the period under consideration, and that the receipts for January still exceed the monthly average of RM 100 millions estimated by the Finance Minister.

The receipts from the Tax on Income from Capital were higher in January as a result of the distribution of dividends and of the sums collected on interest coupons.

The considerable increase in receipts from the Tax on "Other Forms of Income" and from the Corporation Tax(RM + 118.3 and + 29.8 millions respectively) is due to the payment of an instalment on January 10, 1926. It will be observed that for the month of October 1925, during which an instalment was likewise due, whereas the receipts from the Tax on Other Forms of Income were slightly lower (RM 138.9 millions), the receipts from the Corporation Tax were higher (RM 38.4 millions) than the receipts for January (145.8 and 33.2 millions).

No instalment of the Tax on Real and Personal Property fell due in January. It will be remembered that the next instalment falls due on February 15.

III. The receipts from the Turnover Tax for January (which relate to December business) show an increase of RM 29.3 millions over the receipts for December (November business), that is an increase of about 35 per cent. This increase reflects the rush of business at Christmas time although the rush seems to have been less striking

than in 1924. The increase in the receipts for the two corresponding months of 1924 amounted to approximately 43 per cent (Receipts from the Tax: January 1925 RM 201.03 millions, December 1924: RM 140.25 millions).

Since October 1925, the rate applied for Turnover Tax is 1 per cent. The volume of transactions - computed on the basis of the proceeds of the tax, allowance being made for modifications in the rate of the tax - appears steadily to increase, as the following table will show:

Volume of business transactions per quarter

(In millions of RM)

	1924	Percentage (1)	1925	Percentage (1)
1st quarter	15 120	100	25 113	166.1
2nd "	16 892	111.7	25 292	167.3
3rd "	19 264	127.4	25 960	171.7
4th "	24 720	163.5	29 202	193.1

Lastly, attention should be drawn to the increase in the receipts from the Tax on Bourse Transactions, which is indicative of greater activity on the Bourse.

The refunding of the amounts overpaid during the preceding year - under the terms of the Steuerüberleitungsgesetz

---

(1) Percentage for the 1st quarter of 1924.

(Law on Transitional Taxation) - was continued during the month of January 1926.

	January 1926	From April 1,1925 to January 31, 1926.
	(in millions of RM)	
Tax on Other Forms of Income	625.7	3 984.9
Corporation Tax	747.5	4 094.9

IV. The following table shows the details of the receipts from the assigned Customs and taxes on beer, tobacco etc.:

(in millions of RM)

	Estimated receipts		Receipts collected						
			Monthly average						
	Fin.Yr. 1925/26	Monthly average	Fin.Yr. 1924/25	1st Qr 25/26	2nd Qr 25/26	3rd Qr 25/26	Dec. 1925	Jan. 1926	From Apl. 1925 to Jan 31, 1926.
stoms	500.0	41.7	29.7	37.2	49.3	54.6	49.9	76.1	499.7
bacco Tax	580.0	48.3	42.8	50.7	57.4	48.1	69.0	50.9	519.7
gar Tax	245.0	20.4	18.3	20.3	28.1	10.5	19.2	15.6	192.2
er Tax	260.0	21.7	16.4	21.7	26.3	18.6	14.9	20.1	219.8
irits nopoly	150.0	12.5	11.8	10.2	9.6	15.0	18.0	15.9	119.9
Total	1735.0	144.6	119.0	140.1	170.7	146.8	171.0	178.6	1551.3

Only the receipts from the Customs duties and the Beer Tax show an increase, those from the other taxes having fallen off. The increased Customs receipts may be attributed, at least in part, to the payment of the half-yearly instalment (January and July) of the duties payable by certain tax-payers.

The receipts from the Tobacco Tax for January show a considerable falling off. It will be remembered that these receipts relate to sales effected from September 16 to October 15, 1925. The reduction in the receipts shows the initial effect of the increase in the Cigarette Tax as from October 1, 1925. Stocks having been laid in before that date, there was a subsequent reduction in sales. In addition, respite of payment was allowed by the Finance Ministry as also in the case of the Compensation Tax (Nachsteuer).

The payments of Sugar Tax due on January 31 (a Sunday) were postponed until the following day, February 1. This explains the reduction in the receipts from this Tax for January.

M.H.

From the French
Translated - JMP
Checked - NL
EL.

I. I. 9 322 Doc. 169

Berlin February 20, 1926

TRANSFER COMMITTEE
ECONOMIC SERVICE

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF JANUARY 1926.

(see Doc. 164)

I. The receipts and payments of the Reichshauptkasse for the month of January 1926 amounted to the following figures:

	January 1926	April to January 1926
	(millions of RM)	
Receipts	706.2	6 192.0
Payments	732.4	6 380.8
Surplus of payments	26.2	188.8

1. RECEIPTS.

The receipts for January are composed of:	(millions of RM)
a) Receipts from taxation collected during the month	663.5
minus receipts from controlled revenues for the same month not yet re-transferred to the Reichshauptkasse.....	- 178.6
plus receipts from controlled revenues for December, re-transferred to the Reichshauptkasse in January.....	+ 171.0
that is....	655.9
b) Administrative receipts collected during January.....	50.3
Total...	706.2

2. PAYMENTS.

The payments are made up as follows: (millions of RM)

a)	General administrative payments (including payments in connection with the execution of the Peace Treaty).....	442.4
b)	Transfers of taxes to the States and Communes	250.3
c)	Reparation payments.....	39.7
	Total.....	732.4

As in the months of November and December the administrative receipts include proceeds derived from the minting of silver coin. According to the draft budget the proceeds from the mint were to go to increase the working funds of the Reichshauptkasse and until November 1925 were not included in the administrative receipts of the monthly statements.

The increase in the general administrative payments for January as compared with those for the preceding month is due to the extensive payments which have to be made during the first month of each quarter (repurchase of E Bonds, redemption of the debt to the Rentenbank etc.)

II. FLOATING DEBT.

The figures for the Floating Debt including liabilities and guarantees (Treasury Bonds issued in America, debt in Dutch florins etc.) are as follows:

	Dec.31, 1925.	January 31, 1926
	(millions of RM)	
Liabilities	18.6	18.6
Guarantees	52.4	52.2
Total:	71.0	70.8

M. H.

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE APRIL 1, 1925.

(in millions of RM).

R E C E I P T S.

		Receipts from taxation	Administrative receipts	Total
April	1925	651.9	16.4	668.3
May	"	618.3	11.4	629.7
June	"	543.8	3.1	546.9
July	"	689.6	3.1	692.7
August	"	535.4	22.4	557.8
September	"	509.6	29.5	539.1
October	"	731.4	18.5	749.9
November	"	504.2	57.0	561.2
December	"	467.2	72.9	540.1
January	1926	655.9	50.3	706.2
	Total:	5 907.3	284.6	6 191.9

P A Y M E N T S.

		General Administration	Transfers to States and Communes	Reparation Payments	Total
April	1925	415.7	234.0	-	649.7
May	"	408.8	238.2	-	647.0
June	"	362.1	224.2	-	586.3
July	"	405.7	224.1	-	629.8
August	"	360.7	243.1	-	603.8
September	"	408.1	167.1	57.8	633.0
October	"	465.5	197.5	45.6	708.6
November	"	350.5	212.9	45.9	609.3
December	"	368.6	171.9	40.4	580.9
January	1926	442.4	250.3	39.7	732.4
	Total:	3 988.1	2 163.3	229.4	6 380.8

SURPLUS (+) or DEFICIT (-)

April	1925	+ 18.6
May	"	- 17.3
June	"	- 39.4
July	"	+ 62.9
August	"	- 46.-
September	"	- 93.9
October	"	+ 41.3
November	"	- 48.1
December	"	- 40.8
January	1926	- 26.2
	Total:	- 188.9

From the French
Translated - JMP
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/DLC.

I.I.9.20 a.- Doc.170.

BERLIN, March 8, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

"THE EXHAUSTION OF GERMANY"

A REPLY.

(The following is a translation of a leaflet published in reply to the series of attacks on the Dawes Plan contained in the "Lokal-Anzeiger". It is being widely circulated in Germany:-)

A certain press is making frantic efforts in articles and leaflets to represent the present economic crisis as a result of the Dawes Plan and to make Dr. Stresemann responsible for it, as the ultimate "perpetrator" of the "exhaustion of Germany", the "destruction of the middle class", etc. In reply, let us first answer the following question:

Who bears the responsibility for the acceptance of the Dawes Plan?

On August 21, 1924 the representative of Bavaria in the Reichsrat made the following declaration after the statements of the Prussian Prime Minister had been heard - "In

the name of the Bavarian Government, I concur in the declaration of Prussia in almost all points. The Bavarian Government too sees itself obliged to give its approval to the laws, even though with heavy hearts, because it regards the laws as the lesser evil as compared with what would come if the laws were rejected." With respect to the Railway Law, Bavaria made a special statement. The declaration first mentioned above was then approved by the representative of Württemberg.

On August 22, 1924, the executive committees of the German Industrial and Commercial Association (representing Chambers of Commerce), the German Industrialists' Association and the Economic Committee for the Occupied Areas held a joint meeting and adopted a resolution on the question of the acceptance of the Dawes Plan and the London Agreement. This resolution pointed out that the Dawes charges would exceed the capacity of Germany to pay. "Nevertheless, under the heavy pressure of the present economic and political conditions and, above all, in view of the impossibility of conditions in the Occupied Area, we believe that we cannot accept the responsibility for rejecting the London Agreement and the economic and political consequences arising out of rejection; and we must, therefore, decide in favour of recommending adoption".

On the same day the executive committee of the Economic Committee for the Occupied Areas sent to all parties in the

Reichstag a telegram calling attention to the above-mentioned resolution of the industrial organisations and concluding: "The whole Rhineland and Ruhr district, therefore, expect that a parliament conscious of its responsibility will act in accordance with this unanimous opinion of the Occupied Area."

Finally, on August 23 the Economic and Financial Committees of the Economic Council (Reichswirtschaftsrat) adopted the bills to carry out the Experts' Report by a majority decision, the most important passage of which read as follows:- "The Committees continue to entertain serious doubts whether the charges placed upon the German people by the Dawes Report can be borne by the weakened economic system. Nevertheless, in view of the present economic and political situation, and especially in view of the impossibility of conditions in the Occupied Area and the grave consequences attendant upon a rejection of the London Agreement, both Committees consider a rejection to be impossible and, therefore, ... approve acceptance." At the close of this session it was ascertained that not one of the members of the Committees voted against the bills, for even the minority of 10 representatives voted in favour of adoption, although in a separate resolution.

On August 23 the Reichstag began the decisive debates, which brought an exhaustive discussion by all parties of the

factors for and against the acceptance of the Dawes Plan. In the final vote on the London Agreement on August 29 the Agreement, and thereby the Dawes Plan, was adopted by a vote of 314 against 127.

Of the 314 representatives voting in favour of acceptance 48 were members of the Nationalist Party.

Thus the responsibility for the settlement of the German reparation debt as fixed at London is placed upon the broadest of shoulders. The majority of the Parliament, the leading economic associations and the Government of the Reich approved the Dawes Plan in full realisation of the possible unfavourable consequences of its execution. Let this suffice to make clear the historical truth as to the "perpetrator" of the Dawes Plan.

The Reparation policy up to the Dawes Plan.

How were reparations collected before the London Agreements, and how are we to estimate the effects thus far of the London settlement upon Germany's economy and finances?

Anyone who wants to judge the improvement in the foreign political situation of Germany through the acceptance of the Dawes Plan needs only to recall the conditions of a year and a half ago.

Without the slightest regard to the capacity and the

vital necessities of the exhausted German economy insane demands were made at that time every year for cash and deliveries in kind.

In the years 1920 and 1921 alone about 4 milliards were taken away from us!

In 1922 the reparation deliveries amounted to over 1.4 milliards! By almost daily threats of political and economic nature we were forced to make constantly larger deliveries, a part of which were then dumped in the worst manner. There was no limit to this policy of exhaustion. Nobody knew what definite burden our people had to expect. Every day there were new demands either for deliveries in kind, such as coal and coke, or cash funds for the troops of occupation. In March 1921 Düsseldorf, Duisburg and Ruhrort were occupied as a "sanction" for the non-acceptance of the Allied demand for 226 milliards, and for a time Rhineland industry was severely restricted by a Customs line. In May 1921 Germany had to raise 1 milliard marks in cash to carry out the London Ultimatum. The immediate consequence was a rapid decline in the value of the German currency. On January 11, 1923, the invasion of the Ruhr area took place under the most negligible pretexts and brought untold suffering to the areas in question, threatened the life and property of all the population, brought the whole German economic system to the very brink of ruin, and brought into question the existence

of the Reich itself. We were faced by incredible chaos!

For the last year and a half, that is since the adoption of the Dawes Plan, there is no longer any talk of these things. A situation of calm, unknown in all the preceding years, has prevailed in both home and foreign policy. We have to make fixed and all-inclusive payments. A system of arbitral courts provides that any differences of opinion which may arise are not to be settled as hitherto by military force, but by means of peaceable argument. Whereas under the London plan of payments of May 5, 1921, Germany was to pay only a fixed amount of 2 (!) milliard reichsmarks and, in addition, (!) 26% of the value of annual exports, the London Agreement of August 30, 1924, contemplates payments which gradually rise within 5 years from 1 milliard to 2.5 milliards, and during the first 2 years no payments at all have to be made out of the budget.

The Result of the First Dawes Year.

In the first Dawes year, (September 1, 1924, to August 31, 1925) Germany had to pay 1000 million reichsmarks. Out of this amount 800 million reichsmarks were made available by foreign countries in the form of a loan. The German economy itself raised 200 millions out of the receipts of the Railway Company - a payment which is of relatively small importance in view of the milliards in the budgets of the Reich, States and Communes. Of the 1000 million reichsmarks of the first Dawes

payment, only an insignificant part, above all the interest on the External Loan amounting to about 77 million reichsmarks, went across the boundaries in cash. The remainder was used within the country to pay for services to the troops in the occupied area, but chiefly for deliveries in kind. Thus, by far the largest part of the first annuity remained within the country, and in the form of orders for reparation deliveries placed with German industrialists gave work and bread to tens of thousands.

According to the provisions of the Dawes Plan, the receipts of the Reparation Agent are to be used similarly in the second, the present, reparation year. In this year the total payments to be raised within the country itself amount to 1,220 million reichsmarks. But, as already stated, most of this amount flows back into the German economy for the most part through the reparation treasury.

Accordingly there can have been no decisively unfavourable influence upon the economic situation of the German people through the execution of the Dawes Plan thus far.

The favourable effects which have undeniably been produced thus far by the acceptance of the London Agreement are, however,

The stabilisation of the currency,

the equilibrium of the Reich finances,

the restoration of foreign confidence in the economic and political future of Germany,

the liberation of the Ruhr and sanction areas from foreign troops,

the creation of a quiet and steady economic and political atmosphere in Europe.

Only after the London Agreement entered into effect were the indispensable pre-requisites at hand for a stabilisation of German conditions in every respect. The savings deposits in Prussia, for example, increased from 332 million reichsmarks in November, 1924, to over 1000 million reichsmarks in November, 1925; and our industry, deprived of working funds by the catastrophal inflation, obtained foreign funds amounting to about 3-1/2 milliard marks, and wages no longer melt away in the workman's hands - all this because

the acceptance of the Dawes Plan created the prerequisite conditions for a secure and intelligent economic leadership.

The present difficulties of German economic life can, therefore, not be ascribed to the effects of the Dawes Plan thus far. So far as future developments are concerned, it is impossible to foresee them to-day. Not only in Germany, but also in foreign countries, people are beginning to doubt more and more the possibility of carrying out the Dawes payments in the coming years. In his report on the first Dawes year, as in speeches during his stay in the United States, the Reparation Agent himself emphasised that the future course of the Dawes Plan cannot be foreseen, and that the German capacity to pay depends, above all, upon factors over which

Germany has no influence, as, for instance, the readiness of foreign markets to accept German goods in order to make possible the necessary export surplus. The Dawes Plan does not represent in any respect a final and unchangeable obligation of the German people to make payment. Only practice can, and will, show whether the plan can be carried out. In the decisive provisions on transfer - that is, the transfer to the reparation creditors of the sums raised in Germany - we have the most effective protection imaginable for our economy and our finances against a renewed destructive policy with regard to reparations - provisions which have put the whole reparation problem on a basis for discussion which was hitherto an impossibility! "When the inevitable difficulties in the acceptance of payments are as generally recognised as the difficulties in raising the payments, then the nations will be more inclined perhaps to reduce their claims." These words of the brother of General Dawes, Rufus C. Dawes, in his book on the origin of the Dawes Plan, show the tendency in which the problem of German reparation payments is moving. We are still at the beginning of this development, and it is impossible to prove the statement that the difficulties of German economic and social conditions to-day are an effect of the Dawes Plan! The present economic crisis is due to entirely other causes.

The Causes of the present Economic Crisis.

The present economic crisis, which developed to the full only last October, is explained by the fact that a national economy, thrown entirely out of its course by the war, the Versailles Treaty, political convulsions, foreign pressure and inflation, is trying now to find its way back to a new equilibrium on a basis entirely different from that before the war.

If the depreciation of the currency which came to an end on November 15, 1923, the day the rentenmark was issued, caused the impoverishment of most of the middle class, is this, by any chance, a consequence of the Dawes Plan, which entered into effect on September 1, 1924?

If the apparatus of trade and industry, which is still much larger than what is necessary to meet present economic opportunities of sale, must be reduced and readjusted to actual possibilities of sale, the Dawes Plan has nothing whatever to do with it, for other countries, too, are suffering under the same difficulties of economic readjustment from artificial to natural conditions. Bankruptcies, unemployment and lack of money are at present an international phenomenon, even though they have affected specially severely the German economy which was greatly damaged by occurrences since the war. The present economic crisis would necessarily have come upon Germany even

without one pfennig of the Dawes payments. The Dawes Plan cannot be made responsible in any way for the devastating consequences of inflation or for the necessity of a fundamental readjustment of our whole economic apparatus as well as our economic views, because the Plan did not create the factors which are active here. That is a clear, unequivocal fact which only the most irresponsible demagoguery can distort into the opposite! Even without the Dawes Plan the lack of credit would be the same, the difficulties of industry and agriculture as to markets would be the same, and not one workman would find a job more easily! No person living on a fixed income would receive back the wealth destroyed by inflation! But, on the other hand, no doubt the fatal struggle over the German war debt payments would be going on and would be still more disastrous than in past years. For if France under Poincaré pressed Germany to the extreme limit for reasons of power, present-day France would see in the collection of her debts from us the only way towards salvation out of her present economic distress.

This is the way things look in reality. Nobody - and least of all the German Government - will, and can, accept the Dawes settlement as something unchangeable and final, for this settlement is too problematic for that.

A final incontestable judgment cannot be rendered to-day by anybody. Everything is in flux, and nobody can see the course of future developments. Therefore, the demand for a decision to-day is an impossibility. To insist upon it means to act against the interests of the country, means to conjure up again what is fortunately a thing of the past.

Printer and publisher Hans Dohrn, Berlin S.W.61,
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Further copies can be obtained free from the
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XL.

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Berlin, March 10, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

PRUSSIAN FINANCES

Draft Budget for the financial year 1926-1927

Comparison with the final Budget for 1925-1926.

The Prussian Draft Budget for the financial year 1926-27, which was submitted to the Council of State (Staatsrat) at the end of December 1925, is now before the Diet (Landtag).

The Bill, (the text of which is annexed) renews the authority granted to the Prussian Government under the Law of June 25, 1925 (Preussische Gesetzsammlung No. 106) to borrow up to 200 million Reichsmarks for the purpose of strengthening the working funds of the Prussian Treasury.

The form of presentation of the Budget has been altered. Of the two Parts, into which it is divided, the first contains the detailed tables showing the various departmental categories of revenue and expenditure, and the second the estimates for the individual items of revenue and expenditure.

The following is an analysis of the Budget :

1. Gross figures:

The Budget is balanced as follows:

	Recurring	Non-recurring	Total
Income	3 144 270 697	178 061 000	3 322 331 697
Expenditure	3 032 468 778	289 862 919	3 322 331 697

It will be remembered that the Prussian Budget does not include an Extra-ordinary Budget. All Extraordinary revenue and expenditure is specially voted.

For greater clearness, the Budget of the State Undertakings and the Budget proper will be shown separately.

II. State Undertakings

Under this heading are classified the revenue and expenditure of State Undertakings and State holdings in industrial concerns, a list of which will be found below. The estimates for the Government Studs and Inspection of Mines are attached to the Budget proper.

	Revenue	Expenditure	Net surplus
	RM	RM	RM
Domains	22 670 000	12 062 000	10 608 000
Forests	200 534 000	130 463 000	70 071 000
Lotteries	6 001 000	-	6 001 000
State Bank (Seehandlung)	-	-	-
Mint	2 469 700	1 031 200	1 438 500
Mines (working)	2 450 000	13 000	2 437 000
Porcelain Factory	1 000	-	1 000
Code of Laws (Gesetzsammlung)	214 100	186 700	27 400
Reichs- und Staatsanzeiger	3 955 600	2 678 450	1 277 150
Various holdings(1)	4 435 200	-	4 435 200
Total:	242 730 600	146 434 350	96 296 250

In the case of certain Undertakings (Lotteries, Mines and Porcelain Factory), the expenditure is deducted from the profits, so that the figures indicated represent the net revenue. The absence of revenue in the case of the Seehandlung is due to the earmarking of the profits for the redemption of the losses sustained at the end of 1924.

The surplus on the State undertakings goes to swell the revenue of the Budget proper, which is thus balanced.

Revenue posted to the General Finance Administration, Annex 11 (holdings of the Prussian Government in electrical companies, private railways, Preussenkasse, Bad-Pyrmont).

III. The Budget proper.

If the surplus from the State Undertakings is carried to account, the Prussian Budget stands as follows:

Revenue	RM	Expenditure	RM
Taxes transferred by the Reich	1 390 860 000	1. Transfers of taxes by Prussia to the Provinces & Communes	
Prussian taxes	1 183 505 000	a) from transfers of the Reich:	722 857 500
Grants by the Reich (specific appropriations) (1)	176 050 671	b) from Prussian taxes:	476 200 000
Contribution from the Communes (specific appropriations)	19 950 000	2. Net Prussian State Expenditure	1 934 872 796
Miscellaneous (legal charges etc)	267 268 375	3. Contra entries(2) (expenditure)	41 967 051
Contra entries(2) (income)	41 967 051		
Together	3 079 601 097		3 175 897 347
Surplus from State Undertakings	96 296 250	Expenditure of State Undertakings	146 434 350
Total:	3 175 897 347	Total:	3 322 331 697

not including grants to the State undertakings:

compensation for Occupation		26 590
miscellaneous		15 000
Together:	RM	41 590

the contra entries of revenue and expenditure are composed as follows:

Port of Duisburg Ruhrort		7 905 300
Ministry of Justice		100 000
" " Finance		1 000 000
Monies held in suspense		25 150 000
Payments by State Undertakings to Pensions		7 811 751
Total:	RM	41 967 051

If the revenue and expenditure, which only pass through the Budget, are subtracted from the above totals, the figures for the net revenue and expenditure are obtained. The following table further indicates the distribution of the total Expenditure among the main categories.

Revenue	RM.	Expenditure	RM.
Transfers of taxes by the Reich	668 002 500	1. Prussian General Administration	274 914 702
Prussian taxes	707 305 000	2. Police	343 882 483
Grants by the Reich (specific appropriations)	176 050 671	3. Justice	316 129 000
Contributions from the Communes (specific appropriations)	19 950 000	4. Education, Science and Fine Arts	568 691 700
Miscellaneous	267 268 375	5. Public Works	46 299 819
Surplus from State Undertakings	96 296 250	6. Social expenditure	215 039 546
		7. Miscellaneous	124 980 707
		8. Public Debt	21 934 839
		9. Subsidies to the Communes	23 000 000
Total	1 934 872 796	Total	1 934 872 796

IV. Details of Revenue and Expenditure.

The principal details of revenue and expenditure will be found below.

A. NET REVENUE OF THE PRUSSIAN STATE RM 1 934 872 796

1. Taxes transferred by the Reich RM 668 002 500

The transfers by the Reich to Prussia have been computed according to the provisions of the new Finanzausgleich of August 10, 1925 (Reichsgesetzblatt page 254, see Doc. 132).

The transfers of Income Tax and Corporation Tax to the Communes have been computed at the rate of 45 per cent of the proceeds collected by Prussia.

The transfers of Income Tax and Corporation Tax to the Provinces and "Circles" (Kreise) have been computed at the rate of 10 per cent of the balance remaining to Prussia after deducting the transfers to the Communes.

The transfers of Turnover Tax to the Communes have been computed at the rate of 55 per cent (instead of 60 per cent as hitherto), in conformity with the Prussian Law of November 27, 1925 (Preussische Gesetzsammlung, page 162).

The Tax on Automobiles is transferred in its entirety to the Provinces for the upkeep of the roads.

The following table shows the taxes transferred by the Reich to Prussia, and the transfers by Prussia to the Provinces and Communes.

Tax	Transfers by the Reich to Prussia	Transfers by Prussia to the Provinces and Communes		Balance remaining to Prussia
		Communes	Provinces	
		(Reichsmarks)		
ome Tax	945 000 000	425 250 000	58 162 500	523 462 500
rporation Tax	112 500 000	50 625 000		
rnover Tax	270 000 000	148 500 000	-	121 500 000
tomobile Tax	40 320 000	-	40 320 000	-
tting and Lotteries Tax	23 040 000	-	-	23 040 000
Total:	1 390 860 000	624 375 000	98 482 500	668 002 500
		722 857 500		

2. Prussian Taxes. RM 707 305 000

The following table shows the estimated revenue from Prussian taxes and the amounts thereof transferred to the Communes. The conditions of transfer of the Rent Tax (Hauszinssteuer -now called Gebäudeentschuldungssteuer) are laid down in the Prussian Law of November 27, 1925 (Preussische Gesetzsammlung, page 165, § 10).

Tax	Gross revenue	Transfers to the Communes	Balance remaining to Prussia
mp Tax	15 000 000	-	15 000 000
cession Duties	5 000	-	5 000
portage Tax	4 500 000	-	4 500 000
d Tax	200 000 000	-	200 000 000
t Tax	964 000 000(1)	476 200 000	487 800 000
Total	1 183 505 000	476 200 000	707 305 000

1) In the draft Budget, the proceeds from the Rent Tax are computed in the assumption that rents will be brought back to pre-war level on April 1, 1926 (as laid down in the Finanzausgleich Law). The decision recently taken to proceed in two stages and to postpone the raising of rents to their pre-war level until July 1, 1926, will entail a reduction in the returns.

3. Grants by the Reich (specific appropriations) RM 176 050 671

These grants may be grouped as follows:

Grants for the Safety Police and Gendarmerie (1)		113 219 938
Grants for teachers and officials expelled from Occupied territory etc.....		20 150 593
Compensation for the administration by Prussia of waterways of the Reich		8 850 000
Social insurance in general:		
Unemployed	25 000 000	
Ex-soldiers	8 535 000	
Combating of alcoholism	225 000	
Refunding of the expenses of the Fürsorge-amt (Welfare office)	70 140	33 830 140
Making a total of:		176 050 671

(1) The draft Budget for 1926-27 does not contain any details on the grants of the Reich and the Communes for the Police and Gendarmerie, as the Police will shortly be reorganised. The totals indicated are those of the Budget for the financial year 1925-26, and we have assumed that there will be no appreciable change in the distribution in the current year.

4. Contributions from the Communes (specific appropriations): RM 19 950 000

This figure is composed as follows:

a)	Contribution from the Safety Police	19 480 000
b)	Partial repayment of removal costs of certain officials	20 000
c)	Contributions from the City of Berlin, the Kreis and city of Heiligenstadt and the Province of Westphalia, for structural work:	450 000
		19 950 000

5. Miscellaneous revenue RM 267 268 375

This entry comprises all revenue which does not come under the above categories.

The principal items are:

Fees and various takings of the Ministry of Justice:	172 260 000
Revenue from the Government Studs	9 076 000
" " " Ministry of Agriculture	10 885 304
Repayment of loans for productive unemployment relief, housing schemes etc..	15 001 000
etc. etc.	

3. NET PRUSSIAN STATE EXPENDITURE RM 1 934 872 796

Most of this Expenditure is for staff and pensions, as shown by the following table:

Expenditure on staff	RM 1 059 894 377	54.8 per cent
" pensions(1)	205 584 819	10.6 "
Other expenditure	669 393 600	34.6 "
Total:	RM 1 934 872 796	100 per cent

Below are particulars of the main items of expenditure classified according to appropriation.

1. Prussian General Administration: RM. 274 914 702

This heading comprises the general expenditure of the State (Diet, Cabinet Offices, Court of Audit, Finance Court etc.) distributed as follows:

General Finance Administration:	RM. 14 427 500
Diet	5 314 800
Council of State (Staatsrat)	352 333
Ministries	1 579 390
Finance (and pensions)	225 194 349
Internal	27 099 365
Court of Audit	946 965
Total RM.	274 914 702

The expenditure of the Finance Ministry includes RM. 120 038 249 for pensions and relief to pensioners of the several Government Services (not including State Undertakings) which it has been impossible to indicate in detail. Only the pensions of the Ministry of Justice, the

(1) Not including pensions of the State Undertakings (7 811 751), but including pensions of the Ministry of Justice, police, and the Inspection of Mines.

Police and the Inspection of Mines have been classified among the expenditure of these administrations.

2. Police RM 343 882 483

This expenditure, which also includes pensions, is composed as follows:

Police	RM. 291 181 580
Gendarmerie	32 706 603
Non-recurrent expenditure	19 994 300

3. Justice RM 316 129 000

The expenditure on staff amounts to RM 186 320 000, the expenditure on pensions to RM 49 550 000, the balance being composed of expenditure on supplies and non-recurrent expenditure.

4. Education, Science, Fine Arts and Public Worship RM 568 691 700

This sum includes the entire expenditure of the Ministry of Science, Fine Arts and Education, in particular the expenditure on museums, theatres, the Tiergarten etc. The expenditure on primary education, which is the largest item, amounts to RM 397 968 000.

5. Public Works. RM 46 299 819

Expenditure under this heading appears partly in the Vote for the Ministry of Agriculture (22 777 519), where it is intended for the upkeep of dikes, the service of public works, canalisation schemes,

regulating of waterways etc, and partly in the Vote for the Ministry of Commerce (10 901 500) where it is intended for the construction of locks, harbours, bridges etc; the balance of RM 12 620 800 is intended for the expenditure of the Inspection of Mines. In Prussia, the Provinces are responsible for the upkeep of the roads and receive from the Government, for that purpose, the proceeds of the Automobile Tax.

6. Social Expenditure — RM 215 039 546

This expenditure appears for the greater part in the estimates for Social Relief. The principal items are as follows:

Expenditure on housing schemes	138 000 000
Unemployed relief (and productive relief)	50 000 000
(Ministry of the Interior) relief to ex-soldiers	8 535 000

7. Miscellaneous — RM 124 980 707

This amount includes the general expenditure of the Ministry of Agriculture (RM 62 273 080) and the Ministry of Commerce (RM 36 126 777) and is assigned partly for technical schools. The expenditure of the Studs, which is also included in the above total, amounts to RM 26 580 850.

8. Public Debt RM 21 934 839

This sum is made up as follows:

Administrative expenditure	RM	397 000
Interest		17 011 571
Redemption		4 526 268

The service of interest includes

	Principal	Interest
a. 1923 loan expressed in terms of potash:	16 294 950	814 748
b. " " " " rye :	3 936 457	196 823
c Treasury Bonds		
issued under special legislation	150 000 000	12 000 000
issued under the Budget Law, for the purpose of increasing working funds or of raising further loans:....	50 000 000	4 000 000
RM.	220 231 407	17 011 571

9. Subsidies to the Communes RM 23 000 000

This sum represents Prussia's contribution towards the expenditure of Communal Institutions for Juvenile Relief.

V. Comparison of the final Budget for 1925-26 and the Draft Budget for 1926-27.

a. Gross income and expenditure.

The final Budget for 1925-26 was not promulgated until January 4,

1926 (see Preussische Gesetzsammlung 1926 No.1). As was anticipated, the final figures considerably exceed those of the original Budget (see Note No. 9 of August 24, 1925, page 6), but approximate to those of the 1926-27 Budget, the increase for 1926-27 being 47.5 millions, not including the expenditure on State Undertakings. As the following table shows, the distribution of expenditure differs considerably. For 1926-27 the tax transfers by the Reich should be reduced by over 257 millions (1), whereas the returns from Prussian taxes are anticipated to show an increase of 235 millions. The latter increase may be almost exclusively attributed to the Rent Tax (Hauszinssteuer), the total proceeds from which have increased from 739 to 964 millions.

..../

(1) It should be pointed out however that in the 1925-26 Budget the item "additional transfers 228 millions" really represents a deficit which in the absence of adequate surpluses of transfers, has to be met from the surpluses of 1924-25. Apart from this item, the amount of the transfer is virtually the same.

P R U S S I A.

General abstract of revenue and expenditure of the final Budget for 1925-26 and of the Draft Budget for 1926-27

REVENUE	Final Budget 1925-26	Draft Budget 1926-27	EXPENDITURE	Final Budget 1925-26	Draft Budget 1926-27
.Taxes ransferred y the Reich	1 419 840 000	1 390 860 000	1.Taxes transferred by Prussia to Provinces & Communes:		
.Additional taxes ransferred	228 600 000	-			
.Prussian axes	947 805 000	1 183 505 000	a) from transfers of the Reich	735 277 500	722 857 500
.Grants by e Reich spec.appro riations)	174 987 697	176 050 671	b) from Prussian taxes	315 200 000	476 200 000
.Contribution from e Communes spec.appro riations)	19 480 000	19 950 000	2. Net Prussian State Expenditure	2 046 845 979	1 934 872 796
.Miscellaeous	234 972 481	267 268 375	3.Contra entries	41 060 305	41 967 051
.Contra tries	41 060 305	41 967 051			
Total:	3 066 745 483	3 079 601 097			
rplus from tate Under kings	71 638 301	96 296 250			
Total:	3 138 383 784	3 175 897 347	Total:	3 138 383 784	3 175 897 347
			Expenditure of State Undertakings	130 012 960	146 434 350
			BUDGET TOTAL..	3 268 396 744	3 322 331 697

B. Net Prussian State Expenditure

If the total of revenue and expenditure shows an increase of 47.5 from one financial year to the other, the net Expenditure of the Prussian State shows a reduction of RM 112 millions, as is seen from the following table. At the same time the taxes transferred to the Communes show an increase of RM 148.6 millions (viz. the increase of 161 millions from the Prussian taxes (Rent Tax) less the 12.4 millions of the reduction in the transfers of taxes from the Reich).

In short, whereas the 1925-26 Budget shows on paper a deficit of 228 millions (represented by the heading "additional taxes transferred by the Reich"), the 1926-27 Budget balances, despite a large increase in the taxes transferred to the Communes.

(Signed) L.GAILLET-BILLOTTEAU.

MIG.

P R U S S I A

Abstract of Prussia's net revenue and expenditure as shown in the final Budget for 1925-26 and the draft Budget for 1926-1927.

EVENUE	Final Budget 1925-26	Draft Budget 1926-27	EXPENDITURE	Final Budget 1925-26	Draft Budget 1926-27
res transferred by e Reich	684 562 500	668 002 500	General Administration	258 177 513	274 914 702
ditional res transferred	228 600 000	-	Police	397 811 793	343 882 483
ussian res	632 605 000	707 305 000	Justice	306 136 600	316 129 000
ants by e Reich	174 987 697	176 050 671	Education public worship etc.	626 154 500	568 691 700
ontribution from e Communes	19 480 000	19 950 000	Public Works	43 768 985	46 299 819
scellaneous	234 972 481	267 268 375			
rplus from ate Undertakings	71 638 301	96 296 250	Social expenditure	249 662 451	215 039 546
			Miscellaneous	137 837 559	124 980 707
			Public Debt	12 286 578	21 934 839
			Subsidies to the Communes	15 000 000	23 000 000
tal	2046 845 979	1934 872 796	Total	2046 845 979	1934 872 796

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I.I. 9.343 Doc. 172.

BERLIN, March 10, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

THE POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT DECEMBER 31, 1925.

The attached table shows the public debt of the Reich as at December 31, 1925 (see Wirtschaft und Statistik No.3).

		millions
Total figure of the Debt as at December 31, 1925...	RM.	2 413.2
" " " " " November 11, 1925...	RM.	2 419.9
Decrease during December:	RM.	6.7

The alterations in the various items of the Debt are very slight.

The decrease (of 1.9 millions) in the Treasury Bonds total is due to the repurchase of RM.0.5 millions of 6 per cent Bonds redeemable in 1935, and to the redemption of 1.4 millions of E.Bonds.

The debt to the Rentenbank has been reduced by RM.2.4 millions, as a result of the payment to Sinking Fund of the interest paid by the landed mortgagors.

The Reichsmark value of the American tranche of the External Loan 1924 has fallen by RM. 1.5 millions. The reduction of RM.0.8 millions in the Reichsmark value of the sterling tranche is due to a decrease of £40 000 in the German tranche.

From the French
Translated - JMP
Checked - NL
Translation File No. 2727
AA

PUBLIC DEBT OF THE REICH

(in millions of RM.)(1)

	November 30 1925.	December 31 1925.
I. Treasury Bonds.		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	19.0	18.5
6 per cent " " 1932	1.2	1.2
K. Bonds	1.0	1.0
E. Bonds	134.0	132.6
Reichsmark drafts	-	-
Total:	155.2	153.3
II. Debts to Banks.		
Rentenbank	1 024.4	1 022.0
Reichsbank	226.5	226.5
Total:	1 250.9	1 248.5
III. External Loan.		
110 million dollars	440.2	438.7
21.72 " pounds sterling	434.3	433.5
25.72 " Swedish crowns	27.8	27.8
100 " lire	16.6	16.6
15 " Swiss francs	11.9	11.9
Total:	930.8	928.5
IV. Other debts.		
Other commitments	18.6	18.6
Guarantees	52.3	52.4
Loans to agriculture (Meliorationskredit)	12.0	12.0
Total:	83.0	83.0
GRAND TOTAL:	2 419.9	2 413.2

(1) Differences in the totals are due to the rounding off of figures.

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a.- Doc. 173.

I.I.9.331.

Berlin, March 15, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

FINANCES OF THE REICH

TAX REDUCTIONS

(Government Bill)

In the statements, which he made to the Reichstag and the Budget Committee on February 10 and 18, 1926, the Finance Minister Dr. Reinhold enumerated the reductions of taxation which he proposed to submit to Parliament to relieve the economic crisis. The Bill embodying his statements has now been published (see Akt. St. No. 1992).

The principal provisions of the Bill are the following:

I. REDUCTION OF THE TURNOVER TAX.

As from April 1, 1926 the rate of the Turnover Tax is reduced from 1 per cent to 0.6 per cent. The Luxury Tax is abolished (1).

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(1) When he spoke in the Reichstag, the Minister merely said that the Tax would only be applied in the future in the case of certain categories of commodities (jewels etc.). The difficulties in application of the Tax on this restricted scale and the modest prospects of returns have now led him to propose its complete abolition.

II. REDUCTIONS OF TAX IN THE CASE OF AMALGAMATIONS OR FUSIONS OF COMPANIES.

A. Reduction of the Tax on Amalgamations of Companies (Gesellschaftsteuer).

This Tax, which is now 2 per cent, is reduced to 1 per cent.

If in the case of an amalgamation immoveable property is brought into the combined concern, the Tax on Real Estate Transactions was reduced from 3 to 1-1/2 per cent. The surtaxes on the Tax on Real Estate Transactions and the Tax on Increment (these are Communal imposts) will not be collected.

These reductions may be made applicable on the request of the Companies to certain cases of fusions of concerns, which do not amount to amalgamation: these cases are defined in the Bill.

The above regulations are applicable to Companies, whose indebtedness to the Treasury originated between September 1, 1925 and March 31, 1927. But Tax revenue already paid to the States or Communes will not be restored.

B. Extension of the privileges accorded to holding companies (Schachtelgesellschaften).

In assessing the Tax on Real and Personal Property and the various other taxes governed by the Assessment Law

(Bewertungsgesetz: see Doc. No. 132) a parent company, which has been allowed the reductions indicated above (under A.) at the time of its acquiring its holding in a dependent company, may deduct the amount of its holding from its total capital, even if the holding is under 25 per cent of the capital of the dependent company, subject to the following conditions:

(a) The parent company must have brought in to the dependent company at least 35 per cent of the value of its own assets at the time when it acquired its holding;

(b) the parent company and the dependent company must be enterprises of the same character or mutually interdependent.

The privilege accorded to holding companies in respect of the Corporation Tax (see Doc. No. 132) is extended to parent companies whose holding in dependent companies is less than one quarter, on condition that the holding has existed since the beginning of the business year of the parent company.

III. CHANGES IN REGARD TO THE DATES OF THE ANTICIPATORY PAYMENTS OF THE INCOME AND CORPORATION TAXES.

The legislation of August 10, 1925 changed the dates of the anticipatory payments, with the result that in the year 1926 certain tax-payers would have been compelled to make five anticipatory payments(instead of four). The present Bill

restores the position with regard to the dates of these payments as it existed before the legislation of August 10, 1925, in such a way that no tax-payer will have to make more than four payments in 1926. The Bill provides that

(a) all the anticipatory payments (with the exception of those of the agriculturists) will be made on April 10, July 10, October 10, and January 10:

(b) the payments of the agriculturists will be made on November 15, February 15 and May 15, the November 15 payment being double each of the others.

IV. SIMPLIFICATION AND REDUCTION OF THE TAX ON REAL AND PERSONAL PROPERTY FOR 1926.

There will be no 1926 assessment for the Tax on Real and Personal Property. The Tax will be based in 1926 on the 1925 assessment.

Nevertheless, to allow for the reductions of capital in 1925, the Tax will be reduced by one-quarter in 1926. The tax-payer will make three anticipatory payments, instead of four, the payment due on May 15, 1926 being cancelled.

V. The Bill will be debated shortly in the Reichstag. It has already passed the Reichsrat. The latter, as representing the Federal States, has made it a condition that in the new Finanzausgleich, which is to be concluded by April 1, 1927

between the Reich and the States, the States and Communes should be compensated for the falling off in their revenue as a result of the reduction of the Turnover Tax.

VI. FINANCIAL EFFECTS OF THE BILL.

The Bill contains no estimate of the reduction of revenue involved. In his speech of February 10 the Finance Minister estimated the loss of revenue involved at 550 millions altogether: he gave no detailed analysis of this total.

Taking as a basis the estimates of the draft Budget for the year 1926-1927, the loss of revenue involved may be estimated as follows:

	Budget estimates (in millions of RM)	Loss of revenue involved (in millions of RM)
1. Income Tax (without the Tax on Wages)	900	(1)
2. Corporation Tax	250	(2)
3. Tax on Real and Personal Property (25 per cent reduction)	400	100

(1) As the proposed change consists in the suppression of a supplementary payment, it may be taken that the yield has been calculated on the normal four payments.

(2) As the change proposed in the case of holding companies merely suppresses a surcharge, the original yield of the Tax is not affected.

	Budget estimates (in millions of RM)	Loss of revenue involved (in millions of RM)
brought forward		100
4. Turnover Tax		
(a) Ordinary Tax (40 per cent reduction)	1 250	500
(b) Luxury Tax (suppressed)	100	100
5. Companies Tax: tax on amalgamation (50 per cent reduction)	60	15 (1)
		715

(The reduction of the Tax on Real Estate transactions affects only the finances of the Federal States).

To this loss of revenue there will be added the effect of the reduction of the Tax on Bourse Transactions, should the Finance Minister take action in regard to this impost, as he has indicated that he intends to do.(2)

This would make the loss of revenue more than 10 per cent of the total yield of taxation (6 939 millions).

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(1) This assumes that the Tax on Amalgamations accounts for half the yield of the Companies Tax.

(2) This reduction, the rate of which was not indicated by the Finance Minister, can be effected by Ministerial decree. The Tax is estimated to yield 50 millions in 1926-1927.

If the Finance Minister is reckoning only on a loss of revenue of 550 millions, that can only be because he is presuming on a revival of industrial activity, which by increasing business will in part offset the reduction of taxation. Chanceller Luther said on March 4: "The whole programme of reduction of taxation is avowedly based on the hope of economic improvement."

(Signed) L. GAILLET-BILLOTTEAU.

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Checked - RB
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I.I.9.4140

Doc. 174
Berlin, March 16, 1926.

TRANSFER COMMITTEE

ECONOMIC SERVICE

THE BALANCE SHEET OF THE RENTENBANK

AS ON FEBRUARY 28, 1926.

(see Doc. No. 167)

The following is the comparison between the balance-sheet of the Rentenbank as on February 28, 1926, and the balance-sheet as on January 30, 1926.

	Balance-sheet of February 28, 1926	Difference as compared with that of January 30, 1926 (+ or -)
	RM	RM
A S S E T S :		
Charges upon German agriculture	2 000 000 000.-	-
Rentenbriefe as on 30.1.26 as on 28.2.26		
Loan to the Reich	1 055 945 379.33	- 2 216 184.60
Outstanding credits (including RM 9 millions granted to the Reich as credits for clearing ground for agricultural purposes)	586 889 722.-	-
Cash in hand, giro accounts and postal cheque accounts and balance in hand	115 822 889.32	+12 738 857.51
Office furniture and supplies	90 507.80	+ 23 150.45
Miscellaneous assets	24 101 898.65	- 3 642 561.15

LIABILITIES	Balance-sheet of February 28, 1926	Difference as compared with that of January 30, 1926 (+ or -)
Capital	2 000 000 000.-	-
Rentenbank notes in circulation	1 587 070 587.-	- 2 216 185.-
Redemption of Rentenmarks in conformity with § 7c of the Law on the Liquidation of Rentenbank notes	55 608 514.68	-
Rentenbriefe in circulation	156 000.-	-
Credit of the Rentenbank Credit Institution	33 633 028.67	+ 5 283 742.41
Reserves	2 850 861.65	- 2 350 021.70
Miscellaneous liabilities	1 287.50	- 625.-
Carried forward	11 109 591.79	-

In conformity with § 7a of the Law on the Liquidation of Rentenbank notes. 2 216 184.60 Rentenmarks, representing interest paid by the owners of the mortgaged land, have been paid into the Sinking Fund at the Reichsbank. The items "Loan to the Reich" and "Rentenbank notes in circulation" therefore show a corresponding decrease.

Since the Law on the Liquidation of Rentenbank Notes came into operation the following sums have been paid into the Sinking Fund:

Rentenmarks	69 054 620.67	under § 7a	of the Law
	75 000 000	" 7b	"
	55 608 514.68	" 7c	"
	293 444 861	" 11	"
making a total of	493 107 996.35		

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I.I. 9.321 Doc. 175

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, March 18, 1926

TAX RECEIPTS OF THE REICH

February 1926

(see Doc. No.168)

I. The Deutscher Reichsanzeiger No. 63 publishes the summary of the tax receipts of the Reich for the month of February 1926. Below will be found the usual table shewing the receipts from the principal categories of taxation:

(millions of Reichsmarks)

	Estimated receipts.		Receipts collected						
			Monthly averages						
	Finan. year 1925-26	Monthly average	Finan. year 1924-25	1st Qr: 1925-1926	2nd Qr: 1925-1926	3rd Qr: 1925-1926	Jan. 1926	Feb. 1926	From 1-4-25 to 28-2-26
Taxes on income, sales, transport, etc:									
a) recurring	4 851.0	404.3	473.8	451.7	405.8	403.0	468.3	315.2	4 565.2
b) non-recurring	60.0	5.0	6.6	5.8	2.4	7.5	5.6	3.8	56.5
II. Customs duties & taxes on beer tobacco, etc.									
a) assigned	1 735.0	144.6	119.0	140.1	170.7	146.8	178.6	138.4	1 689.7
b) other	124.5	10.3	10.2	10.7	7.3	8.9	10.9	9.2	100.9
III. Miscellaneous	-	-	0.6	0.1	0.1	0.1	0.1	0.1	0.8
Total:	6 770.5	564.2	610.2	608.4	586.3	566.3	663.5	466.7	6 413.2

The receipts for February are the lowest recorded since the beginning of the financial year. They are RM 196.8 millions lower than those for January, which, however, owing to the payment of periodical instalments in that month, cannot be taken as a proper basis of comparison. As compared with the receipts for November 1925 (the corresponding month of the third quarter of the financial year), the February receipts shew a reduction of RM 70 millions. This reduction amounts, for the receipts from the taxes on Income, Sales, Transport, etc., to RM 58.1 millions and for the receipts from Customs Duties and the Taxes on Beer, Tobacco, etc., to RM 12 millions.

An official note attached to the table in the Reichsanzeiger states that:

> "According to the estimates submitted by the Finance Minister of the Reich to the Budget Committee of the Reichstag, the Taxes on Income, Sales, Transport, etc., were to yield RM 320.4 millions for February, and Customs Duties and the Taxes on Beer, Tobacco, etc., RM 153.6 millions. The actual receipts from the Taxes on Income, Sales, Transport, etc., are RM 1.3 millions and those from Customs Duties and the Taxes on Beer, Tobacco, etc., RM 6 millions lower than these estimates."

In general, the reduction in the receipts for February is due to normal causes (absence of instalments, fewer working days, etc.) but also to a certain extent to the effect of the present slackness of trade.

II. The following table shews the detailed figures of the receipts from the Taxes on Income, Sales, Movement of Capital, Property, etc.

(millions of Reichsmarks)

	Estimated receipts.		Receipts collected						
			Monthly averages						
	Finan. year 1925-26	Monthly average	Finan. year 1924-25	1st Qr. 1925-1926	2nd Qr. 1925-1926	3rd Qr. 1925-1926	Jan. 1926	Feb. 1926	From 1-4-25 to 28-2-26
ncome Tax									
a) on wages ..			111.0	131.7	118.2	117.3	105.5	81.5	1 288.6
b) on income from capital			1.6	13.1	5.2	3.5	7.0	2.8	75.4
c) on other forms of income			71.8	63.8	63.2	66.6	145.8	47.3	773.8
Together ...	2 170.0	180.8	184.4	208.6	186.6	187.4	258.3	131.6	2 137.8
rporation Tax	180.0	15.0	26.2	18.2	13.0	15.3	33.2	8.3	181.3
ax on Real and ersonal roperty	350.0	29.2	41.6	22.4	5.5	28.5	11.8	63.5	244.5
urnover Tax									
a) ordinary ..	1 320.0	110.0	149.9	123.6	126.3	112.0	112.4	70.0	1 267.9
b) extraordinary (luxury)	110.0	9.2	9.9	9.2	7.4	5.2	5.6	3.6	74.7
ax on Bourse ransactions ..	43.0	3.6	9.4	4.9	4.1	1.9	2.1	2.4	37.3
ransport Tax	325.0	27.1	26.0	27.1	31.0	28.1	24.3	16.3	299.1
ther Taxes ...	353.0	29.4	26.4	37.7	31.9	24.6	20.6	19.5	322.7
Total	4 851.0	404.3	473.8	451.7	405.8	403.0	468.3	315.2	4 565.3

The receipts from the Tax on Wages (collected on the wages paid from January 21 to February 20, 1926) are 24 millions lower than the January receipts (retained from the wages paid from December 21, 1925, to January 20, 1926). Although the tax on the February wages

was entirely computed at the reduced rates (see Doc. 161) - whereas about 1/3 of the January receipts were collected at a higher rate (for the period from December 21 to January 1) - there is no doubt that this reduction in the receipts for February is partially due to the prevailing unemployment.

The relatively low receipts from the Tax on Other Forms of Income and from the Corporation Tax may be attributed to the absence of any substantial instalments during the month. The only payments to fall due were those of the agriculturists on February 15.

It will be remembered that an instalment of the Tax on Real and Personal Property which fell due on November 15, 1925, yielded RM 60.6 millions. The second instalment which fell due on February 15, 1926, yielded slightly higher receipts (RM 63.5 millions).

During February the refunding of amounts overpaid during the previous year, as laid down in the "Steuerüberleitungsgesetz" (Transitional Taxation Law) was continued.

The following amounts have been refunded:

	February 1926	From April 1, 1925, to February 28, 1926.
	(in thousands of RM)	
Tax on Other Forms of Income	461.5	4 446.4
Corporation Tax	276.3	4 371.2

III. The receipts from the Turnover Tax for February (collected on January business) amounted to RM 70 millions as against RM 112.4 millions for January (collected on December business) and RM 83.1 millions for December (collected on November business). During the whole of this period, the rate fixed was 1 per cent. The receipts

collected in January were exceptionally high as a result of the Christmas business, but the big reduction in the receipts for February points to a serious depression in trade.

IV. The detailed figures of the receipts from assigned taxes are shewn in the following table:

(millions of Reichsmarks)

	Estimated receipts.		Receipts collected						
			Monthly averages						
	Finan. year 1925-26	Monthly average	Finan. year 1924-25	1st Qr. 1925-1926	2nd Qr. 1925-1926	3rd Qr. 1925-1926	Jan. 1926	Feb. 1926	From 1-4-25 to 28-2-26
toms Duties	500.0	41.7	29.7	37.2	49.3	54.6	76.1	42.2	541.8
acco Tax	580.0	48.3	42.8	50.7	57.4	48.1	50.9	45.6	565.3
ar Tax	245.0	20.4	18.3	20.3	28.1	10.5	15.6	18.6	210.9
r Tax	260.0	21.7	16.4	21.7	26.3	18.6	20.1	18.1	237.9
rit Monopoly	150.0	12.5	11.8	10.2	9.6	15.0	15.9	13.9	133.8
Total	1 735.0	144.6	119.0	140.1	170.7	146.8	178.6	138.4	1 689.7

The reduction of RM 40.2 millions in the February receipts, as compared with those for January, affects all the taxes with the exception of the Sugar Tax. The biggest reduction is that in the Customs Duties, namely RM 33.9 millions, and is apparently due to the reduction in imports during November 1925 (RM 856.5 millions as compared with RM 1 074.1 millions during October). About 60 per cent of the February receipts relate to goods cleared in November 1925, and the balance to goods cleared in February.

The reduction in the receipts from the Tobacco Tax (RM 45.6 millions as compared with RM 50.9 millions) appears partly due to the raising of the duty as from October 1, 1925 - see Doc. 168 (the February receipts relate to sales from October 16 to November 15, 1925). As usual, abnormally large stocks were laid in before the application of the higher rate, so that there was a temporary reduction in consumption.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 18,1926.

"THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF FEBRUARY 1926."

(See Doc. 169)

The receipts and payments of the Reichshauptkasse for the month of February 1926 amount to the following figures:

	February 1926	April 1925 to February 1926
	(millions of RM)	
Receipts	534.7	6 726.7
Payments	569.8	6 950.7
Deficit	35.1	224.0

I. RECEIPTS.

The receipts for February are composed of:

		(millions of RM)
a.	receipts from taxation collected during the month	466.7
	minus receipts from controlled revenues for February, not yet retransferred to the Reichshauptkasse	- 138.4
	plus receipts from controlled revenues for January, retransferred to the Reichshauptkasse in February	+ 178.6
	together....	506.9
b.	administrative receipts collected in February	27.8
	Total :	534.7

II. PAYMENTS.

(millions RM)

The payments are made up as follows:

a.	General administrative payments (including payments in connection with the execution of the Peace Treaty).	323.1
b.	Transfers of taxes to the States and Communes	212.6
c.	Reparation Payments	34.1
	Total	569.8

III. FLOATING DEBT.

The figures for the Floating Debt, including liabilities and guarantees are as follows:

	January 31, 1926.	February 28, 1926.
Liabilities	18.63	18.63
Guarantees	52.22	52.13
	70.85	70.76

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE SINCE APRIL 1,1925.(1)

(in millions of RM.)

RECEIPTS

		Receipts from taxation	Administrative receipts	Total
April	1925	651.9	16.4	668.4
May	"	618.3	11.4	629.7
June	"	543.8	3.2	546.9
July	"	689.5	3.1	692.7
August	"	535.4	22.5	557.8
September	"	509.6	29.5	529.1
October	"	731.4	18.5	749.9
November	"	504.2	56.9	561.2
December	"	467.3	72.9	540.1
January	1926	655.9	50.3	706.2
February	"	506.9	27.8	534.7
	Total:	6 414.2	312.5	6 726.7

PAYMENTS

		General Administration	Transfers to States and Communes	Reparation payments	Total
April	1925	415.7	234.0	-	649.7
May	"	408.8	238.2	-	647.0
June	"	362.1	224.1	-	586.3
July	"	405.7	224.1	-	629.8
August	"	360.7	243.1	-	603.8
September	"	408.1	167.1	57.8	633.0
October	"	465.5	197.5	45.6	708.6
November	"	350.5	212.9	45.9	609.3
December	"	368.6	171.9	40.4	581.0
January	1926	442.4	250.3	39.7	732.4
February	"	323.1	212.6	34.1	569.8
	Total:	4 311.3	2 375.7	263.6	6 950.7

SURPLUS (+) or DEFICIT (-)

April	1925	+ 18.6	September	1925	- 93.9
May	"	- 17.3	October	"	+ 41.3
June	"	- 39.3	November	"	- 48.1
July	"	+ 62.9	December	"	- 40.8
August	"	- 46.0	January	1926	- 26.2
			February	"	- 35.1
			Total		-224.0

(1) Difference in the totals are due to the rounding off of figures.

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TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 22, 1926.

"THE SITUATION IN GERMANY"

(Speech by the Minister for Economic Affairs).

The second reading of the budget of the Reich Ministry of Economics (Reichswirtschaftsministerium) was commenced in the Reichstag on March 19th 1926. The debate was opened by the Minister of Economics, Dr. Curtius, who stated as follows:-

I wish today to give further particulars in regard to the economic policy of the Reich. Understanding and confidence are necessary pre-requisites for overcoming the prevailing distress. In the same way as the stabilisation of our currency was made possible only by the firm will to live and the willingness to make sacrifices on the part of the entire population, and by its confidence in its own strength, so also are psychological and ethical factors of paramount importance for overcoming the present economic crisis. To understand it is necessary to be clear as to the volume and value of the present German foreign trade and the tendencies at work within it. Germany's import and export turnover in the year 1925 amounted to 21.1 milliard M., representing an important increase by 30% as compared with the balance of the year 1924. But even so we still possessed only 8.5% of the world's trade as compared with 13.1% in 1913. At the same time our imports, with 83.6%, approached much nearer the pre-war values than did our

exports with only 65.3%. On comparing 1925 with 1913 in the main categories of foreign trade, it is seen that, on the basis of pre-war values, the import surplus, as far as foodstuffs and beverages are concerned, was about the same in both years, while the import surplus of raw materials was nearly 1/2 milliard and the export surplus of finished goods even 2 milliards less than in pre-war times. Before the war it was possible to cover the import surplus of foodstuffs and beverages almost entirely by the export surplus of finished goods minus the import surplus of raw materials. Today, on the other hand, the export surplus of finished goods amounting to 4.6 milliards only just covered the import surplus of raw materials and semi-manufactures. In the trade balance of 1925 there was no item on the asset side to balance the import surplus of foodstuffs and beverages (including live animals) amounting to about 3.6 milliards.

The deficit in the trade balance of 3.6 milliard M. was covered mainly by the raising of enormous foreign credits and loans and only to a small extent by assets in the balance of payments, such as the foreign receipts of German shipping, banks and insurance companies. There is no doubt that, if this state of things continues, serious dangers will arise for the maintenance of the capital of German industry. It is one of the principal duties of economic and commercial policy to meet these dangers and, in particular, to pay attention to the activity of foreign capital on the German capital market and in German production.

If the balance for January and the provisional balance for February, 1926, are compared with the trade balance for the year 1925, it will be seen that since December the foreign trade deficit has been converted into a surplus. In December there was a surplus

of 33.6 millions, which increased in January to 68.1 millions and in February to 50-100 millions.

This change is due, in the first instance, to a strong decline in imports and only to a lesser extent to a slight increase in exports. The change is to be attributed to large covering purchases before the introduction of the new duties, to the effect of the duties themselves, to the good harvest in 1925 and, unfortunately, still more to diminished purchasing power and the acute crisis of German economy, - from which it will be gathered that the favourable trade balance does not necessarily mean a flourishing industry. These tendencies of German foreign trade must be borne in mind when discussing the principles of our trade policy. The dominant fact of previous statements is the enormous burden of the uncovered food imports. Dr. Curtius said that he recognised the tremendous efforts of German agriculture to feed the German people from German agricultural products alone, and he had co-operated in guaranteeing further intensification of agricultural production. It could not, however, be anticipated that either at present or in the near future German agriculture would be able to meet the demand completely. For reasons of commercial policy also, the import of foreign agricultural products cannot simply be prohibited.

The struggle for existence forces us, quite irrespective of the Dawes Plan, to increase our exports, in the firm conviction that an extension of the foreign sales market must result in an improvement of the entire home market. Only in this way can it become possible to eliminate the difference between the increase in the price of agricultural products and the increase in the price of industrial

products - and this is of paramount importance for agriculture - which, however, will not prevent the adoption of special measures in addition to credit measures for the removal of manifest abuses - he had rye prices in mind. The difficulties with which German export was faced practically all over the world were well known. An important means of overcoming these difficulties lay in an increased activity of our commercial treaty policy. It had, indeed, been possible already to obtain, in part, a firm footing in extra-European markets; but, as before the war, the European countries still played the principal rôle as sources of supply for our imports and as markets for our exports. But it is just here that difficulties arise. The great European creditors, England and France, were flooding us, as compared with pre-war times, with greatly increased imports, while they resisted German exports more and more. The chief thing to do, therefore, was to work for a better regulation of commerce in Europe itself.

Referring to German commercial treaty policy, the Minister emphasised that the leading idea was the carrying out of the principle of most-favoured-nation policy. This policy, for him also, was no dogma but only a means of commercial policy which need not be adhered to for all time. For the present, however, there was no other choice than to continue on these lines.

The energetic pursuance of this commercial treaty policy has been considerably hindered and disturbed by the currency depreciation in other countries, and our entire home and foreign trade has been damaged by "valuta" dumping - a result, above all, of the circumstance that wages in the countries with depreciated currencies have

followed only slowly the decline of the currency, and the possibilities of competition by these countries are thereby extended. It is outside the commercial policy of an individual country to take decisive remedial measures in such a case. It will probably be one of the most grateful tasks for the coming Economic Conference to solve this problem. In the meantime, the price movement of foreign goods from countries with depreciated and falling currencies must be closely followed. Legislative proposals could be submitted at any time. In regard particularly to the Franco-German economic relations, if, as was hoped, we succeeded in concluding a commercial treaty very soon, arrangements must be made for ensuring Germany's vital economic interests even in the event of severe harm occurring as a result of a further fall of the French currency.

In dealing with the Franco-German commercial treaty negotiations, the Minister referred in a few words to the international iron trust negotiations. The press was correct in reporting the formation of a rail trust. Reports which went beyond this fact were, however, premature and misleading. Negotiations have taken place with regard to an international quota and the regulation of the French-Luxembourg iron imports into Germany in connection with the solution of the Saar iron question. These negotiations had only had partial results so far and will be continued next month. Not only the Government of the Reich, but also the iron-consuming industry will be kept au courant in the matter. It has beem arranged that nothing shall be decided without the approval of the Government of the Reich. The latter regard the conclusion of an international trust as desirable, but it will do everything within its power to protect, if necessary,

the home market from an economically intolerable exploitation by the iron-producing industry. In particular, the Government is taking care that the Franco-German commercial treaty negotiations are not disturbed by these international iron trust negotiations.

The development of our commercial relations with England are being followed by the Government with great anxiety. The British Government is resorting more and more to Customs protection for British industries. An arrangement in regard to mutual demands would, in our opinion, certainly be possible on the basis of a complete commercial treaty - i.e. a most-favoured-nation treaty with tariff agreements - and would also be in the interest of both parties. The difficulty is, however, that the British Government will not at present openly profess either free trade or protection. We must declare emphatically that we are not prepared to accept a change for the worse in our economic relations which makes the most-favoured-nation treatment accorded by us to England more and more valuable, whereas the advantages given to us on the British market are being undermined to an increasing extent. "I declare that, in certain circumstances, we shall be forced to adopt an elastic policy similar to that which the English have found it well to adopt. Under the agreements made, we need by no means put up with the introduction by England of duties which are particularly detrimental to German trade. If necessary, we shall resort to srbitration in accordance with our treaty rights."

Furthermore, the British commercial policy, by impeding German export, disregards the fundamental principle of the Dawes Plan, according to which the payment of reparations by Germany is possible

only out of an export surplus. In his report of 30 November, 1925, the Agent General for Reparation Payments addresses very serious remarks to the creditor states in reference to their very contradictory economic policy. It is to be hoped that he will exercise his whole moral and political influence in order that the creditor countries may be persuaded to admit German exports more readily than at present. If this does not happen, then one of the fundamental conditions of fulfilment of the Experts' Plan will be lacking. It is well known that the Government of the Reich is endeavouring loyally to fulfil the obligations undertaken, with the London Agreement, for the execution of the Dawes Plan. In this connection it is, of course, the duty of the Government of the Reich to see that the impossible is not required by the fulfilment of the Plan, and that its fundamental principles are not departed from. Amongst these fundamental principles are the maintenance of a reasonable standard of living, a tolerable burden of taxation, and the guaranteeing of the minimum requirements for internal expenditures. The experience so far obtained from the execution of the Dawes Plan is not yet sufficient to enable a conclusive judgment to be formed on the question as to how strong the pressure which can be exercised on the German economic situation will be when the Plan comes into force to the full extent. Perhaps the question - particularly as to whether the pre-requisite conditions for the execution of the Plan are already adversely affected - may be answered to a certain extent by the investigations of the conditions of production and sale of German industry to be undertaken by the Economic Commission of Enquiry.

The endangering of German social policy by the execution of the Dawes Plan is so far not to be proved. Nevertheless it is impossible not to feel very anxious that our social policy will be affected. Such anxiety is caused also by certain remarks of the Reparation Agent himself. When the Reparation Agent refers to the far-reaching powers of the Transfer Committee and states that it will exercise these powers to an increasing extent in order to create a favourable trade balance and thereby render possible continuous transfers, then it must be declared with emphasis that we will, and can, tolerate such pressure only to the point when distress of the German people would begin to be caused. It is of decisive importance not only for the bases of our existence, but also for the future conditions of life in the countries competing with us, that this limit should not be exceeded. We believe, therefore, that we can reckon on appreciation for a commercial policy which will endeavour to open up markets for German industry, not by trying to reduce the home wages level, but by the removal of obstacles which are everywhere placed in the way in the form of higher Customs barriers.

The Government desires to grant far-reaching support to necessitous branches of industry. It therefore endeavoured, by the financing of necessary railway orders, to stimulate sales of firms supplying railway material. By means of a guarantee by Government authorities export to Russia is to be promoted. The difficulties still outstanding in regard to financing will, it is hoped, shortly be overcome. Export credit insurance will now be provided for, not in order to breed exporters, but to increase

exports. The building market is to be revived by means of an intermediate credit of 200 million M.

The market conditions of our Ruhr coal mining industry deserve special notice. Its position is extremely unfavourable. Besides the general sales crisis at home, the subsidy granted by the British Government to the coal mining industry in England is, in particular, affecting the Ruhr industry. If, the Minister said, the subsidy should be continued beyond the 1st May, he could say already now on behalf of the Reich Minister of Finance that funds for the support of the German pit coal industry would be forthcoming.

With regard to measures for the relief of economic distress, the steps taken to bring about the consolidation of general economic life - the provision for real rehabilitation, must, however, not be forgotten. The greatest difficulty with which also innately sound undertakings had to contend was the lack of requisite working capital and the dearth of long-term and not too expensive credits. This scarcity will disappear only gradually by the formation of new capital. All measures directed towards encouraging saving deserved energetic support. In the meantime the connected system of short-term money market and long-term capital market must be re-established. Endeavours of the Reich as well as of the Reichsbank are being directed towards this end. The reproach that the Reichsbank has not adjusted and reorganised itself to meet the needs of German economic life is unfounded.

The reduction of the Reichsbank discount rate is intended, above all, by reducing the rates of short-term money, to encourage resort to investment for long periods at higher rates of interest. The

effect of a revival of the capital market was not lacking. Having regard to the liquidity of money which has once more become apparent, the question suggests itself whether a further reduction of the Reichsbank discount rate would not encourage this development.

The Ministry of Economics will, together with the Reichsbank, continue its endeavours to increase real credits. The action with a view to reducing the interest rate for mortgage bonds by the prevention of the issue of the 10% types has been completely successful. The investment of capital of insurance companies will be an important factor in the development of the real credit market. The Ministry of Economics will exert its influence on insurance companies in this direction. The cheapening of credits is connected herewith. The interest and commission rates of banks represent one of the factors in costs which form one of the heaviest burdens for industry. With the help of the Reichsbank the Ministry has succeeded in the course of repeated negotiations in persuading the banks to reduce their rates more and more.

As regards the transitional measures for the reduction of prices, the Minister stated as follows:-

We are not undertaking a mechanical regulation of prices. Official determination of prices will not be repeated. We must, however, lessen and remove out-lived and economically injurious customs and obligations in order to pave the way for a healthy formulation of prices.

Amongst the transitional economic measures of the Government, the Minister included also the programme of tax reduction, the speedy carrying out of which was urgently required in order to

relieve economic life of public burdens, and which, in connection with the proposed authorisation of the communes to levy a supplement to the income tax, must lead as soon as possible to a fundamental revision and far-reaching reduction of real taxes. The proposals for the reduction of patent, legal and solicitors' fees lay in the same direction, and the requisite laws had already been presented by the Cabinet to the Reichsrat.

Before passing over to a discussion of the future tasks of the Government, the Minister referred to two means which must be created or extended in order to perform such tasks: statistics and enquiries. The statistics which are of the greatest interest at the present time are statistics of trade and production, census of population, statistics of professions and of agricultural, industrial etc. undertakings and financial statistics. Trade statistics are of special importance, having regard to the commercial treaty negotiations and to the question of the balance of payments, of credit and of trade. In consideration of the range and the extreme urgency of these questions, the greatest value had been placed on refining trade statistical methods and presenting the results as soon as possible. Publications were now made in an extended form and much sooner than was the case before the war. The attacks made against the trade statistics last summer were unfounded and had caused considerable harm. It was due solely to these unfounded attacks if the Reparations Agent had, in his report of 30 November, 1925, accepted 10% for possibilities of error, whereas as a matter of fact the margin of error was very much smaller. The statistics of production had undergone considerable extension. In the year 1925 a further 23

branches of industry had been included in the statistics in addition to the coal, iron and smelting industry (viz. chemical industry, electrical industry, etc.); statistics for the important branches of the textile industry were being prepared. The extension of statistics of production was all the more necessary as the very limited material available up to now had caused erroneous conclusions to be drawn in regard to the present position of industry as a whole as well as to its numerical proportion to the pre-war size. A comprehensive economic census had been carried out on the 16th June last in the form of a general census of population, professions and industrial etc. undertakings. The main results of the census were published some months ago. The results of the census of professions and of agricultural and industrial undertakings will be available in the autumn. As regards financial statistics, the reorganisation of the tax and financial system of the Reich had involved a completely new and widely extended task. Like the Reich Minister of Finance, the Minister of Economics also considered it to be of the greatest importance that these statistics should be compiled in such a way as to present a clear picture of our tax and financial system and its economic effects. Such an exposition of the tax burdens of economic life and the direction taken by public expenditures is not only of the greatest importance for our entire domestic policy, but also for the foreign trade and reparation policy. The statistical material is to be compiled in time for the financial settlement; and, in addition, the documents to enable the economic effect of the tax laws to be judged will be submitted. Though the inclusion of the productive property of the communes has not been provided for in the questionnaires of the communal financial ststistics,

it will be provided for in connection with the property tax statistics. In view of the provisions of the Industrial Charges Law, the latter statistics will also include untaxed property besides taxed property. On this occasion the assets in the hands of the states and communes would also be comprised in the statistics. With the extension of statistical work and the variety of purposes to which it can be applied, a large target for political attacks is offered. The statistics must, however, continue, as heretofore, to be strictly objective and impartial, irrespective of all politics. In the interest of their reputation at home and, in particular, abroad, it is, therefore, in the highest degree desirable that official statistics should remain exempt from political disputes.

The Minister welcomed the foundation of the Institute for Investigating Market Conditions (Institut für Konjunkturforschung) in connection with the Statistical Office. The Institute should help towards the standardisation of industry and the correct distribution of labour and commodities.

"With these discussions," the Minister continued, "I am already in the midst of questions as to the future development of industry and the far-sighted measures which are continually demanded. Undoubtedly our industry is carrying out a process of reorganisation on the largest scale, which is characterised by rationalisation, i.e avoidance of waste of material and labour - above all, adaptation and concentration. Destruction and distress, which are inevitable in the course of this reorganisation, will have to be borne, as only this way will lead Germany once more into the open. In view of the enormous extent of unemployment, it is difficult to prophesy how far

and, above all, how soon, reorganised industry can absorb the masses of workers. It is probable that we shall for some time have to reckon with a higher figure of unemployment than that of a year ago. Nevertheless, experience has shewn that a revolution of technique and organisation always draws into its circles more heads and hands than were employed in production before. If this does not occur in the near future, and if, judging from the position of international economy, there should be no prospect of it, then help must be afforded by transplanting labour on to the land on a large scale.

The Government of the Reich is firmly resolved to carry through the administrative reform which has been announced. Provision will also have to be made in this connection for the proper co-operation of economic life in the functions of the State. I hope that it will be possible to pass the bill for the definitive Economic Council of the Reich (Reichswirtschaftsrat) in the course of the summer session. The Government attaches the greatest importance to the collaboration of the Reichswirtschaftsrat. It is rightly being emphasised that this organisation to a certain extent represents the final table at which the two large groups of employers and employees can meet for the settlement of differences and for joint economic work. If this involves the collaboration of industry in legislation, the question arises, further, as to how far industry can participate in the second function of the state - administration of justice. The bill for the establishment of administrative senates in the Supreme Court of the Reich is now before the Reichstag.

The numerous forms in which economic undertakings, individually or jointly, carry on their activities require the attention of the State. This becomes clear, for instance, on a survey of the development of cartels in Germany. The supervision of cartels and intervention in case of abuse is provided for in the Cartel Ordinance, and the possibilities of a further extension are now being considered in the Ministry of Economics. On the other hand, cartels have a great future as the basis of future international agreements.

In the third function of the State also, administration, industry must be granted a share. This need is being realised in my Ministry in a twofold fashion. In the first place, there are many members of the staff of the Ministry, both in the industrial and commercial department and in the general economic department, who have acquired, in private industry and in independent professions, knowledge which they are now making use of in the interests of the Reich. In addition, my Ministry is in constant touch with the important head organisations of employers and employees."

If, the Minister said, he had refrained from a detailed analysis of the present conditions and from a prophecy for the future, he could, perhaps, conclude his speech with the following remarks without doing violence to the facts:- Germany has at her disposal a highly qualified and willing staff of workers and also employers who have proved their desire and ability to adjust their undertakings to present needs. She has at her disposal scientific experience and great technical skill. What she lacks at present is an adequate market for her products, purchasing power and capital

for financing her undertakings. I hope that a proper adjustment to future market possibilities will lead to the resumption of production on the domestic and foreign markets and that by means of economical administration by public bodies and private undertakings Germany will collect the requisite capital in order that she may gradually stand once more on her own feet and inaugurate a new era of prosperity in the process of exchanging goods with other nations.

AA

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 23, 1926.

"FINANCES OF THE REICH."

"FINANCIAL STATISTICS FOR THE STATES AND THE COMMUNES."

The Law concerning the Reciprocal Taxation rights of the Reich, the States and the Communes of August 10, 1925, provided under § 8 paragraph 3 and § 9 that the Finance Minister is to decide, with the assent of the Reichsrat, what information is to be supplied by the States and Communes as regards their financial administration (see Doc. 132).

In pursuance of this provision, the Finance Minister published in the Reichsgesetzblatt No. 12 of March 3, 1926 a Decree concerning Financial Statistics (Verordnung über Finanzstatistik) dated February 9, 1926, indicating the financial information to be supplied to the Finance Minister by the States and Communes.

I. Non-periodical.

a) to be supplied by the States.

(Revenue from taxation, from miscellaneous duties and from State-run undertakings;
(Expenditure for the entire general administration;

for the financial year 1913 (to be supplied by March 15, 1926
(at the latest;

for the financial year 1925	(to be supplied by August 1, 1926 (at the latest.
for the first six months of the financial year 1926	(to be supplied by December 1, 1926 (at the latest, with an indication (of the approximate ratio between (revenue and expenditure for the (first six months and between (revenue and expenditure for the (whole financial year)

b) to be supplied by the Communes.

(Revenue from taxation, from miscellaneous duties and from State-run undertakings;

Expenditure for the entire general administration.

	Final date for transmitting the information	
	by the Communes to the States	by the States to the Reich.
for the financial year 1913 :	March 15, 1926	July 1, 1926
" " " " 1925 :	August 1, 1926	October 1, 1926
for the first six months of the financial year 1926 :	December 1, 1926	January 15,1927

The States must check the information supplied by the Communes. Forms showing the data to be supplied are attached to the Decree.

The information must be supplied separately for the States and the Communes.

II. Periodical.

Budgets of the States : Draft Budgets (immediately
(they have been
Final budget accounts (established.

Budgets of the Communes: Same information as in the case of the States but for the financial years 1926 to 1930 only.

Monthly statements of revenue in the case of the States.
Quarterly statements of revenue in the case of the Communes.
(to be supplied during the
(month following the period
(under consideration; for
(the first time for January
(or for the first quarter
(of 1926.

III. General Provisions.

The non-periodical communications (see I above) must be made separately for all Communes with a population exceeding 2 000 inhabitants and forall associations of communes. The periodical communications (see II above) must be made separately for all Communes with a population exceeding 5 000 inhabitants and for all associations of communes.

Non-periodical communications for Communes with a population of less than 2 000, and periodical communications for Communes with a population of less than 5 000 shall only be supplied separately in the case of comparative communes (Vergleichsgemeinden). Comparative communes are chosen in the following manner :

1. In each State the Communes are classified according to their size (1 to 500 - 500 to 1000 - 1000 to 2000 - 2000 to 3000 - 3000 to 4000 and

4000 to 5000 inhabitants).

2. The Communes thus classified are then divided into groups according to their economic and taxation conditions.

3. Out of these groups are chosen certain communes, whose characteristics are such as to allow of their being taken as representative communes for estimating the total burden of taxation to be borne by all the communes of that particular group. These communes are called "comparative communes".

IV. Costs.

The Reich bears the cost of the forms for non-periodical communications. It pays a non-recurrent indemnity of RM.500 000 to the States for the work of checking the non-periodical communications of the Communes. The above indemnity is distributed amongst the States to the extent of one half in accordance with the number of inhabitants, and to the extent of the second half in accordance with the number of communes and associations of communes.

V. Remarks.

1. The graduated scale of dates shows that the Statistical Office of the Reich will not be in possession of all the final budgets for the States and the Communes for 1925/1926 until October 1 1926. It will certainly not be possible to absorb the material thus obtained until

the beginning of 1927, so that the results will scarcely be published before January or February 1927.

Article 8 of the Provisional Settlement between the Reich, the States and the Communes provides that the definitive Law to take effect as from April 1 1927 shall be accompanied by the statistics for which the present Decree supplies the basic factors.

2. The idea of collecting the budgets of all the communes has been given up. In the case of the small communes it will be sufficient to take certain communes for purposes of comparison and to arrive at averages which will doubtless be applied to the population of these communes as a whole.

(signed) L. GAILLET-BILLOTTEAU.

From the French
Translated - CFH
Checked - BWS
Translation File No. 2824

MH.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 24, 1925.

REPARATION PAYMENTS AND FOREIGN CREDITS.

(Magazin der Wirtschaft, No. 11 of March 18 1926, page 329)

The payments which Germany has effected on account of reparations during the past six months already amount to nearly half the figure which she is called upon to pay in a "normal year", and have been derived entirely from her own funds, for the private foreign loans which are frequently thought to facilitate the "transfer" of the sums assembled in Germany cannot actually be employed simultaneously in providing working and investment capital for the debtor and in reparation payments of the Reich.

The Statement issued by the Agent-General for Reparation Payments in February 1926 closes the first half of the second Reparations Year, a year of great importance because the payments which Germany is called upon to make out of her own funds during this period amount to over a milliard more than the figure fixed for the first Reparation Year. In 1924/1925 a sum of 200 millions had to be found by the Railway Company in addition to the 800 millions of the Dawes Loan, whereas in 1925/1926 the Railway Company alone is called upon to find 595 millions, industry 125 millions, and a further 500 millions will have to be paid directly or indirectly out of the Budget of the Reich. For reasons to which we have already referred in Numbers 45 and 46 of the first year's issue, the Reich did not make use of its option under the Dawes Plan to cover the above amount out of the proceeds from the sale for its own account of 500 million marks worth of Preference Shares of the

Railway Company, but took over the Preference Shares against payment of the 500 millions. Of the 1,220 millions due to be paid during the second year, 516 millions have been paid during the first six months, or not quite half the total amount. The instalment due in second half-year is somewhat more because the payments on account of the industrial debentures do not fall due until then. If it is remembered that Germany's normal effort as prescribed in the Dawes Plan is to amount to 2,500 millions upon the termination of the four-year moratorium, that is to say to approximately 200 millions a month, it can be seen that Germany is even now paying almost half this amount, and that all the "transfer" difficulties which have occupied the attention of the Dawes Experts and later of the majority of the German political economists and writers of economics, have so far solved themselves in an unexpectedly easy manner. Not only has it been possible to assemble 50 per cent of the normal amount within Germany herself, but it has also been possible to transfer the sums to the creditor countries in foreign currencies.

It may be objected in this connection that the cash payments effected by the Agent-General have been very insignificant, amounting approximately to 54 millions altogether and being almost entirely on account of the Service of the Dawes Loan. The remainder was paid principally in the form of deliveries in kind. It has however already been pointed out on many occasions that such deliveries in kind are in reality genuine transfers (see for example the arguments put forward by Professor Keynes in his book "The Economic Consequences of the Peace"). It is only possible for Germany to obtain foreign

currencies by exporting goods and by handing over to the Agent-General the equivalent value of the goods for distribution amongst the Reparation creditors. When a portion of Germany's exports are booked as deliveries in kind an equivalent amount of foreign currencies is missing in her balance of payments and the demand for marks on the "Devisen" market is lessened to the same extent, so that the fundamental effect of deliveries in kind is the same as if Germany had met her engagements in the form of cash payments in foreign currencies. This is very clearly illustrated by the so-called Reparation Recovery Duty, where the creditor country levying the duty (more especially England) retains for itself a percentage of the amount due for the goods to the German exporter by the English importer. The German exporter receives compensation in marks through the Agent-General for Reparation Payments. It is obvious that the German "Devisen" balance suffers to a corresponding extent. Deliveries in kind can only be considered as facilitating the transfer of funds, in so far as they represent exports which pass unhindered by the numerous political and psychological obstacles which otherwise hedge in the German export trade and render its development so difficult. This does not however alter the fact that deliveries in kind, as indeed all payments effected through the intermediary of the Agent-General, diminish the national income of the German people and above all injure Germany's "Devisen" balance. It is moreover a remarkable sign of the strength of Germany's economic position and of the capacity of execution of the Dawes Plan that the country has been able to assemble and transfer more than half a milliard for reparations during six months.

The above facts have however recently been disputed not only in Germany but also in England, where it is emphasised that all these statistics are illusory and that a false idea of Germany's capacity to pay has been produced by the abundant influx of foreign credits during 1925, but more especially during the latter half of that year. The foreign loans swelled the "Devisen" funds of the Reichsbank and thus made it easier for the latter to procure the necessary foreign currencies to meet the reparation engagements of the country. At first sight this argument appears obvious, yet it is nothing more than an erroneous application of the experiences obtained with the Dawes Loan to present-day conditions. When the Reich during the first Reparation Year borrowed 800 millions from abroad for reparation payments (i.e. chiefly to meet the payments for deliveries in kind), Germany's balance of payments was actually improved to that amount, to be weakened again by the simultaneous payment of the 800 millions on account of reparations. It amounted to nothing better than if the 800 million "devisen" borrowed in New York, London, Amsterdam, etc., had been placed direct at the disposal of the reparation creditors without ever entering German territory. It is another matter with the foreign loans which are now - and more especially since the beginning of the second Reparation Year - being taken up. These loans are private loans (or communal loans), not intended to serve reparation purposes, but to facilitate the increase of working capital, the erection of new plant, etc. It can be said without hesitation: just as one loaf cannot be consumed twice over, so the proceeds of one loan cannot be employed for two purposes. If they are appropriated by the private debtor or by the commune for his or its own purposes, the Reich cannot use them to pay reparations.

A few examples will be sufficient to illustrate this point. The proceeds in foreign currencies of foreign short or long-term loans can be used for two purposes. The foreign currencies can be used once direct for the payment of imports, and then it is obvious that the Reich cannot pay reparations with them at the same time. There is certainly another possibility: the debtor may wish to use the proceeds of the loan to make purchases in Germany or to pay wages, etc.; in this case he brings the foreign currencies to the Reichsbank and receives Reichsmarks in exchange. This would seem to imply that the "Devisen" funds of the Reichsbank are strengthened by private foreign loans, and it might be deduced therefrom that a possibility was thus created of their being used to help effect reparation payments. In reality however this possibility only exists for very short periods. By exchanging his foreign currency for Reichsmarks, the German debtor increases his buying power and the amount of money in circulation is increased. If this state of affairs is not to lead to a rise in prices, the goods supply must be increased simultaneously by increased imports, and the payment of these imports naturally reduces the "Devisen" funds of the Reichsbank to their previous level. If however imports do not increase immediately, the first result is a rise in prices, followed by a falling off in German exports, imports into Germany finally do increase and the "Devisen" funds are again deprived of their original increase.

Private foreign loans can therefore only provisionally help to strengthen the "Devisen" funds of the Reichsbank and to facilitate reparation payments, that is to say only during the period when the

proceeds have entered the country, but the increase in exports (which is inavoidable ultimately) has not yet actually taken place. The effects must be the same when the influx of "Devisen" from foreign loans is on the increase (i.e. when each month more "Devisen" enter the country than the previous month), as in that case the exodus of foreign currency resulting from the unfavourable trade balance is over-compensated by the influx. Had Germany only met her reparation engagements for a period of two months past, there might be some ground for assuming that the continued influx of foreign loans had facilitated matters. Payments have however been effected for six months past, during which time moreover the funds of the Reichsbank in gold and foreign currencies have swollen as a result of the loans in question; it may therefore be assumed that the possibility of meeting the reparation payments is not due to the private foreign loans but to Germany's own capacity to pay - if not entirely at least to a very great extent. The further argument is not convincing, i.e. that foreign countries purchase mark holdings against foreign currencies (possibly on account of the high rates of interest) thus one might say according a loan to the Reichsbank which the latter could use for the transfer of reparation monies. For latterly the opposite has rather been the case; German banks have taken up quite considerable short-term loans abroad, and foreign loans have been repaid.

In one direction alone do the private foreign loans really benefit the payment of reparations. They increase Germany's economic capacity, help to increase her production and facilitate the complete

utilisation of the latter. This does not amount however to a misrepresentation of the capacity of the country, but to a real gain to German economy, a lasting gain which will continue to facilitate the payment of reparations, long after the stream of foreign credits has gradually ceased to flow.

From the German
Translated - CFH.
Checked - RB.
Translation File No. 2814.
DR.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, March 25, 1926.

"FINANCES OF THE REICH

MEMORANDUM ON THE LOANS OF THE REICH

FOR 1925."

(see Doc. No.74)

The Memorandum on the loans of the Reich for 1925 contains the following information:

I. PRESENT DEBT

a. Increases or decreases in the Public Debt of the Reich in Reichsmarks, from December 31,1924 to December 31,1925.

Position as at December 31, 1924		RM 1 780 248 998.31
" " December 31, 1925		RM 1 457 336 318.86
	Decrease:	RM 322 912 679.45

Details as to the composition of the debt and its variations are given in Appendix I. Particulars concerning the different items of the debt were given in Doc. 64.

b. Increases or decreases in the several tranches of the German External Loan 1924 (see Appendix I, Item 8).

c. Amount of the paper-mark debt of the Reich which under

the Law of July 16,1925 has to be exchanged for bonds of the Loan Liquidation Debt (Anleiheablösungsschuld),- see Appendix II.

Position as at December 31,1925 ..RM.772 686 499 385 187.67

d. The 30 millions of Reichsmark Treasury Bonds (working funds of the Reichshauptkasse) in existence on December 31,1924, matured on September 30,1925. No further bonds have been issued.

e. The Treasury Bonds offered as security during the war, in payment of deliveries of food-stuffs and coal, amounted as at December 31,1925 to not more than

31 000 000 Dutch florins (1)

The repayment of the Dollar Treasury Bonds issued in the United States before the entry of that Power into the War is now being effected.

II. LOANS AUTHORISED BUT NOT ISSUED.

The Memorandum gives the following particulars regarding the issues authorised by the Budget Laws:

a. For the financial year 1924/25, the loans authorised, to the amount of RM 348 071 227, were not contracted (see Doc.74).

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(1) According to the rate quoted on December 31,1925, 1 Dutch florin = RM 1.689. 31 millions Dutch florins are therefore equivalent to RM 52.36 millions which corresponds with the item "Guarantees (RM 52.4 millions)" indicated in the monthly statements of the Public Debt.

b. For the financial year 1925-26, the authorisation to contract a loan for RM 100 millions (Law of March 27, 1925) reduced to RM 62 369 301 (Law of January 30, 1926) for the purpose of covering the extraordinary expenditure of the financial year 1925-26 had not been turned to account as at December 31,1925.

c. Similarly, the authorisation to borrow RM 150 millions granted under the same laws, for the purpose of strengthening the working funds of the Reichshauptkasse, had not been turned to account as at December 31, 1925.

MLG.

Appendix I

VARIATIONS IN THE PUBLIC DEBT OF THE REICH FROM DECEMBER 31,1924 TO DECEMBER 31,1925

Description of loan.	Principal as at December 31,1924	Increase (+) or Decrease (-) from Dec.31,1924 to March 31,1925	Principal as at March 31,1925.	Increase (+) or decrease (-) from March 31,1925 to December 31,1925.	Principal as at December 31,1925	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RM	RM	RM	RM	RM	
1.Loan liquidation debt (revalorised paper-mark debt of the Reich).....	-	-	-	-	-	The exchange of the bonds is at present being effected.
2.Treasury Bonds of the Reich 1923, maturing September 2, 1935 (Gold loan).....	24 639 391.56	- 2 794 959.09	21 844 432.47	- 3 433 532.55	18 410 899.92	
3. 6 per cent Treasury Bonds 1923 maturing December 1, 1932.....	1 436 316.00	- 68 943.00	1 367 373.00	133 077.00	1 234 296.00	
4."K" Bonds 1923.....	1 439 050.00	- 126 700.00	1 312 350.00	- 347 900.00	964 450.00	
5. Non-interest bearing "E" Bonds 1924	317 224 227.75	- 66 169 953.00	251 054 274.75	- 118 450 592.50	132 603 682.25	

Description of loan	Principal as at December 31,1924	Increase (+) or Decrease (-) from Dec.31,1924 to March 31,1925	Principal as at March 31, 1925.	Increase (+) or decrease (-) from March 31,1925 to December 31,1925	Principal as at December 31,1925	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RM	RM	RM	RM	RM	
6. Debt to the Rentenbank	1 200 000 000.00	- 15 000 000.00	1 185 000 000.00	- 107 353 009.31	1 077 646 990.69	(of the sum of (15 000 000 indicated in column ((3) 1 666 666.67 (were not paid (until July.
7. Debt to the Reichsbank	235 510 013.00	- 9 034 013.00	226 476 000.00	-	226 476 000.00	
Total 1 to 7	1 780 248 998.31	- 93 194 568.09	1 687 054 430.22	- 229 718 111.36	1 457 336 318.86	
8. German External Loan 1924...						
Dollars	110 000 000	- 1 818 600	108 181 400	- 3 766 200	104 415 200	
Pounds sterling	21 360 000	- 232 700	21 592 700	- 276 800	21 315 900	
Swiss francs	15 000 000	- 100 000	14 900 000	- 139 000	14 761 000	
Swedish crowns	25 200 000	-	25 200 000	- 398 000	24 802 000	
Lire	100 000 000	-	100 000 000	- 1 871 000	98 129 000	

Appendix II.

POSITION OF THE PAPER-MARK DEBT OF THE REICH

exchangeable for Bonds of the Loan Liquidation Debt,

as at December 31,1925.

		Paper-marks
I.	Bonds and Treasury bills directly issued by the Reich	55 283 319 400.00
II.	Debts of the States, taken over by the Reich	
	a. Former Prussian debt	9 660 960 028.91
	b. " Bavarian "	2 399 286 113.69
	c. " Saxon "	992 478 933.46
	d. " debt of the State of Baden	635 770 285.82
	e. " " " Hesse	535 106 263.27
	f. " " " Mecklemburg-Schwerin	112 199 150.00
	g. " " " Waldeck	1 096 800.00
III.	a. Lottery loan	3 891 098 000.00
	b. "K" bonds (8 to 15 per cent) 1923	4 179 891 600 000.00
	c. "K" bonds (8 to 15 per cent) 1924	768 411 500 000 000.00
	d. Non-interest bearing bonds issued for the payment of war losses	20 596 470 212.52
	Total	772 685 499 385 187.67

rom the French
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LG.

I.I. 9.343 DOC. 181

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, April 1, 1926.

THE POSITION OF THE PUBLIC DEBT OF THE REICH AS AT JANUARY 31, 1926.

The attached table shews the public debt of the Reich as at January 31, 1926 (see Wirtschaft und Statistik No. 5).

	Millions of RM
Total figure of the Debt as at January 31, 1926	2 338.6
" " " " " " " December 31,1925	2 413.4
Decrease during January 1926	74.8

The following are the alterations in the various items:

TREASURY BONDS.

During January, 45.5 millions of matured E Bonds were redeemed.

DEBTS TO BANKS.

The debt to the Rentenbank has been reduced by RM 19.4 millions. In virtue of §§ 7a and 7b of the Law on the withdrawal of Rentenbank notes the following sums have been paid into the Sinking Fund instituted at the Reichsbank:

a) RM. 4.5 millions, representing interest paid by the owners of the mortgaged property.

b) RM 15 millions representing the quarterly instalment payable by the Reich as at January 1, 1926.

The debt to the Reichsbank was, as at January 1, 1926, reduced by RM 9 millions, the amount provided for in the Budget of the Reich.

EXTERNAL LOAN.

The reduction amounts to RM 1.2 millions.

OTHER DEBTS.

The item "security" (debt in Dutch florins) shews a reduction of RM. 0.2 millions.

PUBLIC DEBT OF THE REICH

(in millions of RM) (1)

	December 31, 1925	January 31, 1926
I. Treasury Bonds.		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	18.5	19.2
6 per cent redeemable in 1932	1.2	1.2
"K" Bonds	1.0	1.0
"E" Bonds	132.6	87.1
Total:	153.3	108.5
II. Debts to Banks.		
Rentenbank	1 022.0	1 002.6
Reichsbank	226.5	217.4
Total:	1 248.5	1 220.0
III. External Loan.		
110 million dollars	438.7	437.1
21.68 million pounds sterling	433.5	433.9
25.2 million Swedish crowns	27.8	27.8
100 million Lire	16.6	16.6
15 million Swiss francs	11.9	11.9
Total:	928.5	927.3
IV. Other debts.		
Commitments	18.6	18.6
Security	52.4	52.2
Loans to Agriculture (Meliorationskredit)	12.0	12.0
Total:	83.0	82.8
GRAND TOTAL:	2 413.4	2 338.6

(1) Differences in the totals are due to the rounding off of figures.

From the French
Translated - JMP
Checked - CFH
Translation file No. 2867
RMD

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 8, 1926.

REDUCTION IN TAXATION.

(Law of March 31, 1926, published in the Reichsgesetz-blatt of the same date)

(see Doc. 173)

The Bill for the reduction in taxation (see Doc. 173) was passed by the Reichstag with several important amendments: it bears the date March 31, 1926 and was published in the Reichsgesetzblatt I, No. 18.

The principal provisions of the Law are as follows:

I. RENT CONDITIONS FOR THE FINANCIAL YEAR 1926-1927 - RENT TAX.

The Law of August 10, 1925 (see Doc. 132) fixed the conditions for the assessment of the Rent Tax by the States and Communes, and prescribed that by April 1, 1926 rents throughout the Reich should have reached their pre-war level. Under a Law of March 18, 1926 (Reichsgesetzblatt I, No. 16) the date was postponed until July 1, 1926. The new Law of March 31, 1926 provides that in general rents shall be maintained at their pre-war level until March 31, 1927.

II. REDUCTION IN THE TURNOVER TAX.

As from April 1, 1926, the rate of the Turnover Tax is reduced from 1 to 0.75 per cent. The Luxury Tax has been abolished, the proposal in the Bill for a reduction to 0.6 per cent having been rejected.

III. REDUCTIONS OF TAX IN THE CASE OF AMALGAMATIONS OR FUSIONS OF COMPANIES. EXTENSION OF THE PRIVILEGES OF HOLDING COMPANIES.

The provisions of the Bill concerning the reductions in the taxes on the amalgamation of companies (from 2 to 1 per cent) and on the conveyance of land (from 3 to 1 1/2 per cent in cases of amalgamation) as well as the extension of the privileges of holding companies, are incorporated in the Law without any material change. A new paragraph provides that up to 50 per cent of the Tax on Amalgamations of Companies (Gesellschaftssteuer) will be transferred to the Federal States to compensate the Communes for loss sustained through such amalgamations.

IV. CHANGES IN REGARD TO THE DATES OF THE ANTICIPATORY PAYMENTS OF THE INCOME AND CORPORATION TAXES.

The provisions of the Bill are incorporated without amendment. Consequently, the payments of the agriculturalists will be made on November 15, February 15 and May 15 (the payment for November 15 being double each of the others), and the payments of other taxpayers

on April 10, July 10, October 10 and January 10.

V. SIMPLIFICATION AND REDUCTION OF THE TAX ON REAL AND PERSONAL PROPERTY.

As provided in the Bill, the Tax for 1926 will be based on the 1925 assessment. The Tax for 1926 will be reduced by one quarter, the taxpayer making only three anticipatory payments (cancellation of the payment of May 15, 1926).

Two new provisions have been introduced:

a. The rate of the Tax on small fortunes has been reduced :

Rates under the new legislation		Old rates *	
Capital under RM 10 000	1 per thous.	Capital under RM 10 000	2 per thous.
" between RM 10 000 and 20 000	2 "	" between RM 10 000 and 25 000	3 "
" between RM 20 000 and 30 000	3 "	" between RM 25 000 and 50 000	4 "
" between RM 30 000 and 50 000	4 "		

The new rates will be applied in the assessment of the Tax due as from January 1, 1925.

* See Doc. 132.

b. If the revenue from the Tax on Real and Personal Property for the year 1926 does not attain RM 400 millions, the subsequent anticipatory payment (in 1927) will be increased in proportion, in order that this amount may be obtained.

VI. BEER TAX.

Under the new Law the increase of one-third in the rate of the Beer Tax, which should have been applied as from April 1, 1926 (see Doc. 132), will not be applied until on and after January 1, 1927. (The Commissioner of Controlled Revenues has objected to this postponement. The matter now goes to arbitration.)

VII. WINE TAX.

The Wine Tax as determined by the Law of August 10, 1925 (Doc. 132) is abolished as from April 1, 1926.

To take its place, a special tax is levied on sparkling wines.

VIII. TAX ON SPARKLING WINES.

Subject to the tax are: deliveries to the consumer, and withdrawals from bond even if intended for the personal consumption of the producer, etc.

Certain exemptions are allowed in the case of wines for export.

The tax is computed per bottle (The old tax was computed on the selling price of the wine (Doc. 132)).

Rates of the Tax:

The tax amounts to :

for sparkling grape wines	:	RM 1 per whole bottle
for other kinds of sparkling wines	:	RM 0.20 " " "

Half-bottles (230 to 425 cubic cms) and quarter-bottles (less than 230 cubic cms) are in general only taxable to the extent of one half or one quarter of the above rates.

Payment of the Tax.

The tax falls due simultaneously with the delivery of the wine to the consumer etc., or in the case of imported wines at the same time as the Customs duties. To show that the tax has been paid, a banderole will be affixed to the fastening of the bottle. Payment for the banderoles has to be made not later than the 25th day of the third month following the month in which they have been supplied.

The Law comes into force as from July 1, 1926. Hence for the period April 1 to June 30/1926 sparkling wines are not subject to any tax.

IX. SALT TAX.

The Salt Tax is abolished as from April 1, 1926.

FINANCIAL EFFECTS OF THE LAW.

The Law contains more reductions than those provided for in the Bill. To prevent the loss of revenue from exceeding 500 - 550 millions (the reduction approved by the Finance Minister), it has been sufficient to raise the rate of the Turnover Tax to 0.75 per cent instead of the 0.6 per cent originally proposed.

In the course of the debates of the Budget Committee of the Reichstag, the Finance Minister estimated as follows the loss of revenue for the financial year 1926-27 involved by the application of the new Law

	Original Budget Estimates 1926-1927	Reductions
	millions of RM.	
Turnover Tax (25% reduction)	1 250	276
Luxury Tax (abolished)	100	92
Beer Tax (application of the new rates as from January 1, 1927 only)	275	45
Wine Tax	75	50
Tax on Real and Personal Property	400	from 35 to 40 millions*
Total		498 to 503 millions

* It will be remembered that in the event of the revenue from the Tax on Real and Personal Property being less - for 1926 - than RM 400 millions, the deficit was to be covered by a supplementary payment in 1927.

These estimates do not allow for the loss of revenue involved by the abolition of the Salt Tax, the reduction of the Tax on Amalgamations and the transfer of 50 per cent of this Tax tothe Federal States. The reductions on these three heads may be approximately estimated as follows:

	Original Budget Estimates 1926-1927	Reductions
	millions of	RM.
Salt Tax	12	12
Tax on Amalgamations, including transfer to the States	60	23 *
The loss of revenue** may be approximately estimated at		533 to 538 millions.

In calculating this figure the Finance Minister has undoubtedly counted upon a revival of industrial activity.

The Budget for the financial year 1926-1927 was voted by the Reichstag on the same day as the present Law, so that the new tax reductions have been taken into account in the computation of the estimated revenue, the details of which are not yet known.

The revenue is estimated at RM 6 465.3 millions and is therefore 475.4 millions less than the original figure of the draft budget. This approximately coincides with the figure indicated above, especially

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* This assumes that the Tax on Amalgamations accounts for half the yield of the Companies Tax (Doc.173), after deducting the share transferred to the States.

** The Rent Tax and the Tax on Real Estate Transactions only affect the finances of the Federal States.

if account is taken of possible rectifications in the estimated revenue from taxes not affected by the new Law.

M. H.

From the French
Translated - JMP
Checked - CFH
Translation File No.2890.

MH.

I.I.9.4141 DOC. 183

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, April 12, 1926.

THE BALANCE SHEET OF THE RENTENBANK AS ON MARCH 31 1926.

(see Doc. 174)

The following is the comparison between the balance-sheet of the Rentenbank as on March 31 1926, and the balance-sheet as on February 28 1926.

A S S E T S	Balance-sheet of March 31 1926 Rent.M.	Difference as compared with that of February 28 1926 Rent. M. (+ or -)
Charges upon German agriculture	2 000 000 000.--	-
Rentenbriefe (Rent.M.) as on 28.2.26: 1 699 844 000; as on 31.3.26: 1 699 844 000		
Loan to the Reich	1 054 427 852.93	- 1 517 526.40
Outstanding credits (including R.M. 9 millions granted to the Reich as credits for clearing ground for agricultural purposes)	586 889 722.--	-
Cash in hand, giro accounts and postal cheque accounts and balance in hand	112 324 327.16	- 3 498 562.16
Bank buildings	300 000.--	+ 300 000.--
Office furniture and supplies	38 624.30	+ 51 883.50
Miscellaneous assets	25 527 647.64	+ 1 425 748.99

	Balance-sheet of March 31 1926	Difference as compared with that of February 28 1926
	Rent. M.	Rent.M. (↓ or -)
L I A B I L I T I E S		
Capital	2 000 000 000,--	-
Rentenbank notes in circulation	1 573 367 613,--	- 13 702 974,--
Redemption of Rentenmarks in conformity with § 7c of the Law on the Liquidation of Rentenbank notes	67 793 963,46	↓ 12 185 448,78
Rentenbriefe in circulation	156 000,--	-
Credit of the Rentenbank Credit Institution	25 539 534,51	- 8 093 494,16
Carried forward	36 160 115,56	↓ 25 050 523,77
Reserves	6 040 000,--	↓ 3 189 138,35
Miscellaneous liabilities	60 000 750,--	↓ 59 999 462,50

The balance-sheet for 1925 having been approved by the General Meeting on March 30 1926, the balance-sheet for March includes under assets an item "Buildings of the Bank" of Rent. M. 300 000:the item "Furniture and office supplies", written off to the full amount as at December 31 1925 is reduced to the amount of the expenditure effected under this heading since the beginning of the present year :

The profits for the financial year 1925 (85 million RM in round figures) have been shown as follows : 60 million Rent. M. to be remitted to the Credit Institution of the Rentenbank have been entered

pending their effective transfer under "Miscellaneous liabilities", and the balance has been paid into "Reserves", which are thus increased 11 million to 36 million Rent. M.

The following sums have been paid into the Sinking Fund at the Reichsbank during March : Rent. M. 1 517 526.40 of interest paid by the estates subject to the agricultural charge, and RM 12 185 448.78 transferred by the Reich, being its share in the profits of the Reichsbank in 1925. The "Rentenmarks in circulation" show a corresponding decrease of Rent. M. 13 702 974.

The total sums paid into the Sinking Fund since the coming into force of the Law for the Liquidation of Rentenbank notes are :

	Rent. M. 70 572 147.07	under	§ 7a of the Liquidation Law
	75 000 000	..	§ 7b ..
	67 793 963,46	..	§ 7c ..
	293 444 861	..	§ 11 ..
Total	506 810 971.53		

From the French
Translated - NL
Checked - RB
Translation File No. 2920.

MB.

I.I.9.414 DOC. 134

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 11, 1926.

REPORT OF THE DEUTSCHE RENTENBANK FOR 1925.

The activities of the German Rentenbank in the year covered by the report were confined within the limits laid down by the Law of August 30, 1924, with regard to the liquidation of the Rentenbank notes in circulation. Under this Law the task of the Rentenbank, which is to be solved within ten years from the coming into force of the Law (October 11, 1924), consists in co-operation with the Reichsbank in the task imposed on the latter of calling in the Rentenbank notes. The part of the Rentenbank in this task consists in providing conjointly with the Reich the funds for redeeming the Rentenbank notes issued in connection with the Reich Loan, and further in the gradual calling in of the "economic" credits issued to the amount of 870 millions by the Reichsbank and the private banks of issue. The liquidation of these credits is to be completed within three years, that is, by December 1, 1927. New notes are not to be issued above the amount in circulation at the time of the coming into force of the Law, which amount is maintained in a certain proportion to the amount of the Reich credits and the credits in course of liquidation. The issue of new notes to replace notes called in is only allowed in case of emergency. As soon as all the notes are called in, the Rentenbank goes into liquidation.

The Rentenbank in the course of the year covered by the report has fulfulled in their entirety the tasks imposed upon it in the Liquidation Law.

In the first place as regards the amortisation of the Reich credit, which on December 31, 1924 stood in the books at RM 1 200 000 000, the following sums have been paid into the sinking fund in accordance with § 7 of the Liquidation Law:

under § 7 a :	Interest payments of the persons and concerns subjected to the agricultural charge	RM 62 353 009.31
under § 7 b :	Payments of the Reich	60 000 000
		122 353 009.31

In addition RM 55 608 514.68 have been paid into the sinking fund under § 7c, representing the share of the Reich in the net profits of the Reichsbank; and this sum has been employed for redemption of Rentenbank notes in circulation. For the use of this amount in redemption of the Reich's debt details will be found in the observations on the balance sheet, (see below).

The "economic" credits amounted to RM 871 334 583.57 at the time of the coming into force of the Law. To this amount must be added 9 millions loaned to the Reich for agricultural improvements out of the funds set aside for the economic credits. The Reichsbank having paid back 100 millions in cash in November 1924, there

remained on November 30 1925 RM 193 444 861 of economic credits still to be liquidated under the Liquidation Law (one-third of RM 880 334 583 less the 100 millions referred to above). The form of this liquidation was that the credits transferred to us by the Reichsbank - they were exclusively agricultural credits - were gradually called in by us from the agriculturalists. In spite of the credit shortage and the difficult conditions under which the agricultural interests had to operate in 1925 it proved possible to put through this difficult process of liquidation without appreciably affecting the money market, owing to the fact that we had accumulated reserves gradually in the course of the year out of credits re-paid and interest accrued, with the result that we were only compelled to call in some 130 millions in November. On November 30, 1925 we handed to the Reichsbank a cheque on our Giro account with them, which was one of the largest cheques ever drawn in German financial history, for the sum of

RM 193 444 861.

In so far as the payments into sinking fund and the payments to the Reichsbank were in Reichsmarks, and not in Rentenbank notes, the Reichsbank withdrew the corresponding amount of Rentenbank notes from circulation in accordance with the ratio one Rentenmark = one Reichsmark as prescribed by the Law, and cancelled all the Rentenbank notes so transferred or withdrawn with our co-operation.

The total amount of Rentenbank notes thus withdrawn from

circulation in the year covered by the report was:

from the Reich credits	RM 177 961 523
from the credits liquidated	193 444 861
	371 406 384

The obligations under the Liquidation Law were thus entirely met.

In view of the heavy use and frequent forgery of the old Rentenbank notes for Rent. M. 50 and Rent. M. 10, new notes were issued in replacement in the course of the year. A new issue of Rent. M. 5 notes in place of the existing notes is under preparation on the same grounds.

In the liquidation of the credits the Rentenbank did everything in its power to reduce interest rates. Having first reduced its standard rate of interest to 9 per cent, it decided in February 1925 that the highest rate payable by the agriculturalists, inclusive of all commission charges, should not in principle exceed 12 per cent. In order further to facilitate the application of these terms (which it imposed on all intermediary institutions receiving its credits) in the case of institutions removed by one or more stages from direct contact with the actual agricultural recipients, it accorded a preference rate up to 1 per cent below 9 per cent, the latter being the recently fixed Reichsbank rate. Although we were not unaware that this maximum limit of interest was not everywhere observed, it is certain that our action did much to protect the agriculturalists

from usurious interest and commission charges: and, in contrast to the high rates ruling at the beginning of the year, it was not without effect in practice in the direction of a general reduction of rates for credits as a whole. Of the truth of this assertion we were able to convince ourselves by occasional control of the actual papers with regard to credit transactions on the spot.

In the Treuhandstelle für die Deutsche Rentenbank set up on December 22 1924 (see Report for 1924 towards the end of Section IV) the Rentenbank co-operated with decisive voice as principal partner. The object of the Treuhandstelle was to loan out to agricultural institutions, and to administer in accordance with a scheme evolved by the Rentenbank in agreement with the competent authority of the Reich, the funds placed at its disposal as trustee - in the course of time these had grown to 160 millions - for a transition period running to November 1, 1925, in conformity with the agreement concluded between the Treuhandstelle and the Rentenbank. The interest received by the Treuhandstelle was made over to the Rentenbank. As security agricultural bills with at least two good signatures and the endorsement of the institution issuing the credit were accepted, except in particular cases where it appeared necessary to require additional security in the form of stocks and shares, mortgage bonds, mortgaged land debts and the like. In other cases the special guarantees of Federal States were accepted as sufficient collateral by themselves. Altogether RM 156 851 741.41 of the funds of the Rentenbank were loaned through the Treuhandstelle.

The loans were made subject to the condition that, as soon as the proposed agricultural credits institution to be founded by agreement between the Government of the Reich and the Rentenbank should come into being, that is in the interval before November 1, 1925, in conformity with § 9 of the Liquidation Law, the funds involved would be transferred to the new institution. With the founding of the new institution in the shape of the Deutsche Rentenbank - Kreditanstalt (Landwirtschaftliche Zentralbank) by the Law of July 18, 1925, the task, which the Treuhandstelle had to perform for the Rentenbank, was fulfilled. On August 5, 1925, the Kreditanstalt began its activities, and with effect as from the same day the credits with their collateral were transferred to it, the General Meeting of the Rentenbank having agreed to the founding of the new institution in the form given to it by the Law. At the final meeting of the Treuhandstelle on October 1, 1925, the Rentenbank was formally relieved of all responsibility as principal partner.

In pursurance of a decision of the Managing Board and Board of Control dated July 29, 1925 the Kreditanstalt was provided on its foundation with a capital of 170 millions in accordance with §§ 9 of the Liquidation Law. A considerable part of this capital consisted of the claim on the Treuhandstelle for RM 156 851 741.41 which the Rentenbank ceded to the Kreditanstalt. The balance of RM 13 148 258.59 was transferred by the Rentenbank to the Kreditanstalt in cash. The Government of the Reich gave its assent to the transfer of the total 170 millions by a letter of August 21, 1925, whereby the sum in question

was definitively detached from the capital of the Rentenbank and transferred to the Kreditanstalt.

An event of particular importance in the year under report was the conclusion of a final agreement between the Rentenbank and the economic groups which had withdrawn from it, representing industry, trade and commerce, including banking, under which the postponed half of the Rentenbank interest charge of these groups from the year 1924 (totalling 16.6 millions) was finally cancelled, and RM 8.4 millions in cash were paid out in addition. The reserve set aside for this cash settlement in the accounts of December 31, 1924 is thus used up.

An understanding was further reached between the Reich and the Rentenbank with regard to the credit to the Reich of 1 200 millions by an agreement concluded between the Reich, the Rentenbank and the Reichsbank. The Liquidation Law, which provides for the calling in of the Rentenbank notes, did not touch on the legal relations thus involved. A new settlement was accordingly necessary. Under the agreement the Reich has undertaken to make good to the Rentenbank the payments, which under § 11 paragraph 4 of the Liquidation Law the latter has to make to the Reichsbank (share of the Reichsbank in the interest on the credits under liquidation). The share of the Reich in the net profits of the Reichsbank, which under § 7c of the Liquidation Law are paid into the sinking fund, are credited to these compensatory payments to the Rentenbank. The Reichsbank's claim

is restricted to this share of the Reich in the net profits. Should this share in the net profits exceed the amount of the compensatory payments due, the amount of the excess is to be repaid by the Rentenbank to the Reich. Payment by the Rentenbank of the Reichsbank's share in the interest is postponed until such time as the sinking fund is complete. Further, the Rentenbank definitely accords to the Reich as a long term credit of 1 200 millions the advance, which it made to the Reich at the beginning of the year in the form of 1 100 millions firm and 100 millions as a short loan. The redemption of this Reich credit is effected (interest being remitted) as to one half by payments of the Reich, the latter's liability being limited to ten annual payments of 60 millions each, and as to the other half out of the interest payments of the persons and concerns subject to the agricultural charge, which payments are due to the Rentenbank but under the Liquidation Law go direct into the sinking fund at the Reichsbank.

Lastly it may be noted that we acquired the building in Wilhelmstrasse 67 in the course of the summer of the year under report for RM 2.1 millions. Its favourable position and spacious rooms appear particularly well suited for our purposes. The building was handed over on July 1. The necessary internal alterations and decoration having been completed we took possession of our new home at the turn of the year.

CLOSING OBSERVATIONS

We beg to make the following observations in regard to the various items of the Balance Sheet :

The Charge on agriculture and the original capital have been entered for the same figure of RM 2 milliards as last year.

The holdings of "Rentenbriefe", which may not legally exceed the original capital and which form the cover for the Rentenbank notes in circulation, amount to RM 1 699 844 000 as against RM 1 608 772 199 entered under Liabilities for Rentenbank notes in circulation. As mentioned in the Report of the Bank, the number of notes in circulation has been reduced by RM 371 406 384 during the year under report. The holdings of "Rentenbriefe" as at December 31 were in excess of the cover required for the Rentenbank notes in circulation, for the reason that there are only a few series of "Rentenbriefe" which are in small amounts, and it is therefore only possible to keep the holdings level with the Rentenbank note circulation by the occasional destruction of Rentenbriefe for larger amounts.

The loan to the Reich has been entered on the books for RM 1 077 646 990.69 after deduction of the payments of the Reich and of those subject to the agricultural charge, amounting to RM 122 353 009.31, as stated in the Report.

The current "economic" credits to the total of RM 586 889 722 (after liquidation of the first third) include the 9 millions

advanced to the Reich for agricultural improvements (Meliorations-kredite). The total amount of the "economic" credits has under the Liquidation Law to be liquidated as to half of the whole by December 1, 1926, and as to the remaining half by December 1, 1927.

The item "Cash, Reichsbank, Giro credits, Postal Check credits, and credits with Banks" include the interest on the agricutural charge of the year 1924, which was outstanding but has since come in, together with the interest on the liquidation credits accorded to agriculture. It further includes the credit holding of the Rentenbank Credit Institution of RM.29 409 908.01 shown under the liabilities - the funds of the Credit Institution being administered for reasons of convenience by the Rentenbank conjointly with its own funds - as also the reserve profits of 1924 and the reserves proposed on the liabilities side of the balance sheet.

The "Securities and Devisen" are held for purposes of the Rentenbank Credit Institution. The securities consist of bonds issued by the Credit Institution in connection with its American Loan, and will be used for amortisation purposes : the Devisen are for interest and sinking fund payments on the American Loan. It will be proposed below to transfer these items to the Credit Institution, when the funds of the Rentenbank are transferred to the latter in execution of § 9 of the Liquidation Law.

"Bank premises" are shown with the round figure RM.300 000, representing the amount of the sum set aside in the previous year's balance sheet and the additional charges involved by alterations and furnishings, plus Grunderwerbsteuer.

"Other assets" include interest falling due on December 31, 1925, but not received until 1926, advance payments of salaries and rents, and also an advance of RM.12.6 millions made to the Credit Institution to cover losses on exchange in connection with the American Loan.

Under Liabilities the Rentenbriefe in circulation are shown without change as RM.156 000.

The item "Amortisation in conformity with § 7 c of the Liquidation Law", is explained by the agreement, to which reference is made in the Report, between the Reich, the Rentenbank and the Reichsbank. It had to be shown under Liabilities, because the Loan to the Reich is shown under Assets to its full amount (after deduction of RM.122 353 009.31 for the payments of the Reich and the persons subjected to the agricultural charge) without regard to the effects of this agreement. It will not be possible to make the final calculations of the amount of this item, until the "economic" credits are wound up and the Reichsbank's share in the interest under § 11 paragraph 4 of the Liquidation Law has been determined, that is to say when it is ascertained how much of the share of the Reich in the net profits of the Reichsbank can go to cover the debt of the Reich.

"Other Liabilities" include payments effected in 1925, which figure under the expenditure of 1926.

Of the sums written off to reserve in the previous year for printing new Rentenbank Notes and for providing suitable office accommodation there was still available at the end of the year RM 2 610 861.65, while the reserve for assistance to officials (pensions fund) amounted to RM 540 000, in which amount there is included interest of 8 per cent.

In the Profit and Loss Account RM 2 389 138.35 are shown for printing new Rentenbank notes and other unforeseen expenditure, so that the item appears in the balance sheet as RM 5 000 000. A reserve of this size appears desirable, since in the previous year we were compelled to devote RM 2 390 421.40 to the printing of new notes, and we have to reckon with considerable expenditure in the current year also in view of the fact that there will be rebates, which the revenue offices (Finanzämter) determine, on the interest already received in respect of the agricultural charge. We have also put by an additional RM 500 000 for pension fund in the Profit and Loss Account.

It may be added that the staff of the bank, including the managing board, at the end of the year in both institutions (Rentenbank and Rentenbank Credit Institution) amounted to 136 persons, as compared with 49 in the previous year. A further increase of the Pension Fund accordingly appears necessary. As the remaining assets of the Rentenbank are to go when the liquidation

is completed to the Credit Institution, it is contemplated that this fund will then be transferred to the Credit Institution, for the officials of which it is in part intended: in point of fact the union between the two institutions, which is indicated by reasons of convenience and technical efficiency, is complete in the matter of staff.

The following further observations on the Profit and Loss Account suggest themselves :

Working expenditure amounts to RM 839 480.38, after transfer of a lump sum of RM 350 000 to the Credit Institution, representing the latter's share. This item includes all expenditure on salaries allowances, cost of meetings, rent and other overhead charges, including expenditure incurred in the detection of forgeries.

On the Creditor side the figure indicated for Interest on the agricultural charge represents outstanding interest under this heading from the year 1924. The interest on the agricultural charge accruing as from October 1, 1924, is no longer paid to us, but is directly transferred to the Sinking Fund at the Reichsbank. The interest on credits and short-term investments amount to RM. 69 676 729.42.

The Profit and Loss account shows a net profit of RM 85 050 523.81. Of this sum it is proposed to set aside and carry forward (with the profit reserve from 1924) RM 25 050 523.81 as partial cover for the heavy commitments of the Deutsche

Rentenbank under the Liquidation Law, which for the current year represent a sum of RM 293 444 861 to be paid to the Reichsbank for the cancellation of a corresponding sum of Rentenbank notes.

It is further proposed, in accordance with § 9 of the Liquidation Law to transfer RM 60 millions to the Rentenbank Credit Institution made up as follows :

Transfer of Securities and Devisen	RM 10 136 652.84
Transfer of the Credits to the Reich for agricultural improvements (Meliorationskredite)	9 000 000
Transfer of Bills and Cash	40 863 347.16
	RM 60 000 000.00

The transfer of the Meliorationskredite suggests itself, because their re-payment will not be possible within the limits of the period fixed for the liquidation of the agricultural "economic" credits.

By the transfer of bills the Rentenbank is relieved of a part of its heavy obligation under the Liquidation Law, in as much as it retains liquid resources to the same amount, which it can use in part discharge of the "economic" credits on December 1, the result of which will be that it will require to call in proportionately fewer credits from the agriculturalists. The Credit Institution, which is in a position to prolong these credits which are transferred to it, does not indeed receive cash thereby, but the effect of the prolongation of all the

agricultural credits on its books will be the same as if the agriculturalists had had to pay back their credits to the Rentenbank and had at the same time received new credits from the Credit Institution to the same amount. As compared with the technical and economic disadvantages of such a double operation (calling in money only to loan it out again) the measure proposed must be regarded as the right one.

THE MANAGING BOARD OF THE DEUTSCHE RENTENBANK.

KISSLER LIPP SZAGUNN

We agree with the foregoing report of the Managing Board and approve the proposal for the distribution of the net profit.

THE ADMINISTRATIVE COUNCIL AND BOARD OF CONTROL OF THE DEUTSCHE RENTENBANK.

LENTZE, PRESIDENT.

From the German
Translated - RB & JMP
Checked - RB
Translation File Nos.2855 a & 2860
MH/MM

A S S E T S	RM	L I A B I L I T I E S	RM
Charge on agriculture for 2 000 000 000 marks worth of fine gold.	2 000 000 000.00	Original capital Rentenmark 2 000 000 000.00	2 000 000 000.00
Holdings of "Rentenbriefe" Fine gold marks 1 699 844 000. . . .	-	Rentenbank notes in circulation Rentenmark 1 608 772 199.00. . . .	1 608 772 199.00
Loan to the Reich.	1 077 646 990.69	"Rentenbriefe" in circulation Fine gold marks 156 000.00.	156 000.00
Economic credits not yet liquidated	586 889 722.00	Amortisation in conformity with § 7 c of the Liquidation Law.	55 608 514.68
Cash, Reichsbank Giro credits, Postal Check credits & credits with Banks. .	107 507 994.97	Interest coupons of "Rentenbriefe" still to be redeemed Fine gold marks 3 087.50.	3 087.50
Securities and Devisen.	10 136 652.84	Holdings of the Credit Institution of the Deutsche Rentenbank.	29 409 908.01
Bank premises.	300 000.00	Other liabilities.	75 969.89
Furniture and office fittings.	1.00	Written off to reserve :	
Other assets.	13 744 433.18	for printing new Rentenbank notes and other unforeseen expenditure...	5 000 000.00
		for assistance to officials (Pensions Fund).	1 040 000.00
		Reserve profits 1924	11 109 591.79
		Net profits	85 050 523.81
	3 796 225 794.68		3 796 225 794.68

From the German
Translated - CFH
Checked - RB
Translation File N°.2860
MM

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK AS AT DECEMBER 31,1925.

Dr.	RM	Cr.	RM
Working expenditure.	839 480.38	Interest on the agricultural charge of 1924.	19 172 903.76
Expenditure for furniture etc. . . .	61 484.65		
Interest on "Rentenbriefe".	5 862.50	Interest on credits and short-term investments (including interest on loans issued by the Treuhandstelle for the Deutsche Rentenbank and amounting to RM 5 935 523.76)	69 676 729.42
Interest accrued on securities. . .	3 143.49		
Sums written off to reserve :			
for printing new Rentenbank notes and other unforeseen expenditure..	2 389 138.35		
for assistance to officials (Pensions Fund).	500 000.00		
Net profits.	85 050 523.81		
	88 849 633.18		88 849 633.18

From the German
Translated - CFH
Checked - RB
Translation File N°.2860
MM

I.I. 9.4142 DOC. 185

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 16, 1926.

REPORT OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (LANDWIRTSCHAFTLICHE ZENTRALBANK) FOR THE PERIOD AUGUST 5 TO DECEMBER 31, 1925.

The DEUTSCHE RENTENBANK-KREDITANSTALT (LANDWIRTSCHAFTLICHE ZENTRALBANK) or "German Rentenbank Credit Institution (Central Agricultural Bank)" was constituted by law of the Reich of July 18, 1925, taking effect as from August 4, 1925, and entered upon its duties on August 5, 1925, after the General Meeting of the Rentenbank had agreed to its founding on that date. The Rentenbank-Kreditanstalt is a juridical person having standing under Public Law, and owes its foundation to the provision of the Law of August 30, 1924, with regard to the Liquidation of the Rentenbank Notes in Circulation (Liquidation Law), whereby (§ 9) the Rentenbank is authorised with the approval of the Government of the Reich to transfer its available funds to an agricultural credit institution to be founded by it in agreement with the Government of the Reich. The latter institution will in addition receive, out of the interest on the agricultural charge payable by the agriculturalists to the Rentenbank, any amounts - up to 25 millions per annum - over and above the sum of 60 million RM. Under § 18 of the Law on the

constitution of the Deutsche Rentenbank-Kreditanstalt (Landwirtschaftliche Zentralbank) the agricultural charge ceases to exist from the date of the termination of the liquidation of the Rentenbank (§ 12 of the Liquidation Law).

In order to place on record the various stages which led up to the creation of the Rentenbank-Kreditanstalt, it seems desirable to give here verbatim the passage relating thereto in the Report of the Rentenbank for its first business year (November 15, 1923, to December 31, 1924). It reads as follows (pages 13 to 15, under IV, "The preparations for the Deutsche Rentenbank-Kreditanstalt") :

"If German agriculture is to continue to exist, in spite of the credit shortage which has been depicted and in spite of its liabilities under the Liquidation Law, it must be able to obtain working funds in the form of personal credits for a number of months depending on the duration of the process of production, to be covered normally from the proceeds of the products - i.e. from the harvest. It must also have a long-term real credit, in order to carry out improvements which will intensify production, and in order to convert the short-term debts at high interest, which under present conditions cannot be covered from the proceeds of one harvest, into long-term obligations. It is accordingly provided in the numerous Bills which have been drafted for the creation of the Kreditanstalt that that institution shall make available for <u>personal credits to agriculture</u> the sums received by it from the Rentenbank and the Reichsbank, while other funds shall also be obtained for <u>a real credit to agriculture</u> in the

form of an issue of long-term redeemable Bonds.

"The funds immediately available for the Kreditanstalt under § 9 of the Liquidation Law may be estimated at about 180 million Rentenmarks. As the interest on the agricultural charge is likely to amount to 85 millions (60 + 25) annually, an additional 25 millions may be expected to be available each year until such time as the liquidation of the Rentenbank is complete. Further, the yearly net profits of the Rentenbank can also go to the Kreditanstalt under § 9 of the Liquidation Law; so that the latter altogether will have considerable sums at its disposal for the purposes of personal credit. At the same time, it must be remembered that under the Liquidation Law German agriculture will have to pay 290 millions per annum to the Rentenbank for the next 3 years, so that it will be a question not so much of granting new credits as of taking over credits in process of liquidation.

"As regards the provision of real credit (which, after a transition period of personal credits, will perhaps become the main task of the Kreditanstalt), it is proposed that the latter should issue Bonds up to the amount of one-eighth of its own capital, to be covered by mortgages of State or State-controlled mortgage institutions, Landschaften or communal Banks, or other German mortgage banks to their full amount. The borrowing on the bonds is to be effected by these various institutions and Banks, so that there will be no question of the Kreditanstalt itself coming directly into the market; the institutions and Banks will become its debtors and will have to furnish suitable

mortgage security. In view of the poverty of the German capital market, the attempt will be made to call in foreign capital in the placing of the bonds. According to provisional negotiations which have taken place with foreign capitalists, and on the strength of the experiences which particular mortgage banks have had in negotiating foreign loans, it would appear that the introduction of a uniform type of Bond by the Kreditanstalt would facilitate the placing of the bonds abroad, as in that case the real and personal property of the Kreditanstalt will be behind the bonds, in addition to the guarantee of the mortgage institutions and Banks, and the material security which these will furnish.

"The Kreditanstalt will not compete with existing personal or real credit institutions or supplant them; it will merely act as the banker of the banks. It will assist them by centralising and, so to say, canalising credit. For this reason it is provided that in the case of the personal credits it will act through the co-operatives and the various banks which handle such credits, and in the case of the real credits through the existing mortgage institutions.

"The effectiveness of the Kreditanstalt is dependent on the funds which are transferred to it by the Rentenbank under § 9 of the Liquidation Law. Were the Kreditanstalt not to be founded in agreement with the Rentenbank as provided in § 9, its funds could not be employed for agricultural credit purposes, but would have to be devoted to increasing the redemption of the Rentenbank notes in circulation. And it is just as necessary

after the founding of the Kreditanstalt that it should be organised in such a manner as to preserve the closest touch with the administrators of the Rentenbank, as otherwise there would be no guarantee for the transfer of funds which may at a later date be at the disposal of the Rentenbank. Another reason why the two institutions must co-operate is the fact that the granting of fresh personal credits can only be attempted in conjunction with the liquidation of the Rentenbank credits. Provision has therefore been made for the Kreditanstalt to be, like the Rentenbank, an autonomous organ of German agriculture, with the same organisations represented on its Board as are represented on the Board of the Rentenbank. In order, however, to maintain touch with the existing personal and real credit institutions in the Federal States, it has been agreed that the Managing Board of the Kreditanstalt should be strengthened by eight members to be nominated by the Reichsrat. For the rest, the new organisation, which has the same management as the Rentenbank and in its capacity as the bankers' bank requires no special working apparatus, will be under the control and supervision of the Reich.

"The proposal to bring the Liquidation Law and the project for the Rentenbank-Kreditanstalt as a single measure before the Reichstag broke down on the objection of the Organising Committee; and it proved impossible to pass the two mutually complementary laws at the same time owing to the over-burdening of the authorities at the time with the drafting of the Bills in execution of the London Agreement. The favourable moment for the passing of the Kreditanstalt Law was thus missed. The position

therefore was that the agriculturalists had taken on themselves the burdens of the Liquidation Law without having received the credit institution which they had been promised in return. Since September in the preceding year Bill after Bill had been discussed with the representatives of the Reich, the agriculturalists and the Federal States. More than the half of a precious year had gone by; the dates for the redemption of the credits under liquidation were drawing nearer and nearer; the agricultural credit famine was becoming more and more acute, real credit of any kind being wholly unobtainable; and still it was impossible to pass the Law. Perpetual new obstacles arose; political and economic objections were put forward; private apprehensions of loss and injury through the operation of the Law were voiced; and designs to obtain personal and particular advantages became apparent. After the dissolution of the Reichstag in the autumn of the preceding year an endeavour was made by the Rentenbank to pass the Bill into law by the procedure of an Emergency Decree; but the agriculturalists in their need found no support with the majority of the Federal States represented in the Reichsrat. Although the Rentenbank went to the uttermost limits of what was justifiable to meet the wishes of the States, particularist ambitions were not to be overcome. Obstacles were also placed in the way of the foundation of a company. This purely economic proposal, born of the economic anxieties of the time, was transformed into an apple of political discord; and down to the end of the period covered by this Report, and for that matter down to the moment of writing, it has been impossible to bring the

Kreditanstalt into being.

"On the other hand the Treuhandstelle for the Rentenbank was founded on December 22, 1924. As the activities of the Rentenbank are restricted under § 16 of the Liquidation Law to the winding up of credits, it was impossible for it to make its funds available for agriculture in the form of credits. The authorities of the Reich concerned, in particular the Ministry of Food and the Ministry of Justice, concurred after minute consideration in this view of the Rentenbank, imposed on the latter by the force of circumstances; and the incomplete form of an emergency remedy was sought in the constitution on December 22, 1924 of the "Treuhandstelle für die Deutsche Rentenbank" as a company under Civil Law, comprising the Rentenbank, the German Agricultural Council (Deutscher Landwirtschaftsrat), the Reichsbank, the Prussian State Bank (Seehandlung) and the Bavarian State Bank (Bayerische Staatsbank). The object of the Treuhandstelle was to be the loaning out and administration of the funds made over to it as Trustee by the Rentenbank in accordance with a scheme worked out by the Rentenbank with the assent of the Government of the Reich. Its activities are subject to the condition that, as soon as the Rentenbank-Kreditanstalt, to be founded in conformity with § 9 of the Liquidation Law with the assent of the Government of the Reich and of the Rentenbank, shall have come into being during the interim, its funds are to be handed over to the same.

"This provisional arrangement, adopted after all efforts to bring the Rentenbank-Kreditanstalt into being had failed, is in

no sense satisfactory, particularly as it does nothing to meet the demand for long-term credits. The Treuhandstelle handed over the funds placed in its hands as Trustee by the Rentenbank, amounting at first to 130 millions, to the Preussische Zentralgenossenschaftskasse, to the Landschaften, to the State Banks of the Federal States, to the Landesbankenzentrale A.G., to the private Banks of Issue, to the Girozentrale, and to a number of other Banks handling agricultural credits, before the end of 1924."

The Bill, as at last produced at the end of 1924, underwent many alterations before it at length, after wearisome discussions, assumed its final shape.

Although the Law, as finally passed, fails in many respects to correspond to the wishes of the Rentenbank, and although it imposes many fetters on the free operation of what - though it is confined to agricultural business - is a big Bank, it has at any rate made an end of the undesirable state of things - undesirable because inadequate to the situation - represented by the transition period covered by the Treuhandstelle as described above.

The duration of the Kreditanstalt is not limited by the Law; and its liquidation can only be effected by legislation of the Reich. Its object is stated to be the procuring and according of real and personal credits to German agriculture. In the granting of such credits, it can only deal with the institutions and offices specified in the Law (§ 3 and 4). It is limited in the case of personal credits by a provision restricting its activities in this field to a period ending on December 31, 1930. If, when the time

comes, the circumstances are found to be such as to suggest the necessity of extending the personal credit operations of the Kreditanstalt beyond the year 1930, the Government of the Reich with the assent of the Reichsrat and of a committee to be appointed by the Reichstag may extend the period for two years at a time. For the present, in view of the acute needs of the agricultural interest for short no less than long term credits, the Kreditanstalt can only devote its limited resources to personal credits, although (as is shewn below) certain sums loaned are to be given somewhat longer terms.

In conformity with a decision of the Managing Board and Board of Control of the Rentenbank dated July 29, 1925, the Kreditanstalt was provided on its constitution with a capital of RM 170 millions out of the funds of the Rentenbank (§ 9 of the Liquidation Law). The Treuhandstelle handed over to it the credits, to a total of RM 156 851 741.41, which it has itself granted up to that time out of the Rentenbank funds; the handing over process consisted in the Treuhandstelle transferring all its claims in respect of these credits with their collateral, and in addition transferring a balance of RM 2 748 258.59 (for credits not yet called in) lying on account at the Rentenbank. There was thus available a total of RM 159 600 000. The Kreditanstalt was recognised by the Rentenbank as responsible for the balance owing (RM 10.4 millions).

The Government of the Reich gave its assent to the transfer of RM 170 millions by a letter to the Rentenbank dated August 31, 1925.

In the course of the year under report the capital of the Kreditanstalt was increased by RM 25 millions, which were transferred to it by the Reichsbank out of interest payments on the agricultural charge (§ 9 of the Liquidation Law).

In general the Kreditanstalt adhered in the distribution of credits to the schedule with which the Treuhandstelle had operated, which is in accordance with the provisions of the Law (§§ 2 and 3 1b) and has proved generally satisfactory.

The terms of the Treuhandstelle for credits were also adopted by the Kreditanstalt. The most important feature in these was the fixing of a net maximum rate of interest (12 per cent including bill stamps) to be paid by the agriculturalist. This provision has served as a protection to the agriculturalist against usurious interest and commission charges on more occasions than one, and has had a certain influence in the direction of promoting the essentially necessary reduction of interest rates in the market as a whole. The Kreditanstalt has continued to act in accordance with this principle: following on the reduction of the Reichsbank discount rate on January 12, 1926 from 9 to 8 per cent, it reduced its own rate by 1 per cent, so that the agriculturalist now has to pay at most 10-1/2 per cent net (including bill stamps).

A further duty of the Kreditanstalt is to arrange its terms for interest in such a manner that the ultimate recipients of its credits, that is to say the farmers, all pay in principle

the same rate. To secure this, the Kreditanstalt was compelled to graduate its rates to a certain extent in its dealings with the banks and institutions, to whom it extended its credits direct. This was the practice in regard to personal credits: in the case of real credits, it was obvious that all agriculturalists desiring to mortgage should be placed on the same footing.

With the view of meeting the requirements of the agriculturalist in the matter of duration of the credits, so far as was possible, the Kreditanstalt informed all its debtors at the time it took over the credits of the Treuhandstelle that the credits could be treated for the present as extended to March 1. A further general extension to July 1, 1926 was subsequently accorded in November 1925.

The granting of real credit by the Kreditanstalt could not be initiated until September 1925. It must be repeated that the delay, to which the passage in the first Report of the Rentenbank quoted above refers, in the passing of the various Bills for the constitution of the Kreditanstalt was harmful in the extreme to the interests of agriculture at a time when as rapid and as lavish a support of the agriculturalists' requirements as was possible was one of the first tasks awaiting accomplishment in the clear interest of the German people.

In order to accelerate as much as possible the attraction of foreign capital as soon as the Kreditanstalt should be in existence, the Managing Board of the Rentenbank continued the negotiations, which had been set on foot in the autumn of 1924,

with foreign capitalists, despite the interruptions caused by the slow progress of the legislation. The negotiations naturally could not be brought to a conclusion, until the foreign capitalists could deal with the Kreditanstalt itself as the other party to the agreement.

When at length in August 1925 the Kreditanstalt had come into being, a first loan could be concluded, and this was done in September with the National City Company of New York. The agreement was eventually signed after tedious and very difficult negotiations in the night of 12 - 13 September. The difficulties of the final negotiations, which were protracted over several weeks, lay, apart from the question of price, in the necessity of finding a solution for a number of legal and technical points and divergencies of opinion. It was necessary in the end to seek a solution - it was not one which in every respect was satisfactory to us - which would enable the American capitalist to bring the loan without hitches before the American public as an altogether first-class security; and this was done by giving it the form of bonds in our name. The heavy subscription of the issue in America, as also in Holland and Sweden, where smaller tranches were placed through correspondents of the National City Company, is proof that, in so far as the form and the security are concerned, it complies with the requirements of the foreign money market; and this is further shown by the movement of the quotations since its issue. The issue price of 93, in contrast with many other German loans placed in America, has always been below the market quotations since the issue. The loan has been quoted as high as 97, and is at the moment of concluding this

Report. and has been for some time before that, between 96 and 97. Considerable difficulties had naturally to be overcome in the matter of the issue price. The negotiations were prejudiced by the Dawes Loan of the Reich of 1924, with its burdensome terms in the matter of "spread" (only about 87 per cent of the nominal total actually reaching the borrower) and of the premium on redemption (in the case of the American tranche) of 5 per cent. In the end we were compelled, in order to provide some relief, however modest, for the clamant needs of our agriculture, to accept conditions which, though they are more favourable than those of the Dawes Loan and of almost all other German foreign loans concluded before or after, are nevertheless such as to constitute (to speak frankly) a burden too severe to be borne for long by German or any other agriculture. There can be no question of taking up further loans abroad on terms anything like those of our first loan.

Our American loan for the amount of 25 million U.S. dollars, representing the first instalment of a larger total amount, is described in the agreement and in the American prospectus issued for the New York Stock Exchange as

First Lien 7 % Gold Farm Sinking Fund Loan.

It has opened the way and served as the model in many points for subsequent commercial and industrial loans. The following points may be noted:

It carries 7 per cent interest per annum, payable half-yearly on March 15 (the first payment on this date being in 1926) and September 15 of each year. It may not be called in before the

end of its redemption period by the lenders. It is to be redeemed in twenty-five years by a sinking fund of some 1.52 per cent yearly, inclusive of accumulated interest. This sinking fund begins to operate with the first payment of interest: the amortisation may be effected in cash and/or in bonds purchased by us. The amount actually received by us was 88 per cent of the nominal total, so that after allowing for the securities stamp of 0.5 per cent and for exceptional non-recurrent expenses of 0.4 per cent the net interest charge is 8.04 per cent.

The security which we provide for our American creditors, consists in the real and personal property of the Kreditanstalt, which amounts at present without the profits of the year under report to RM 195 millions but may increase in accordance with § 11 of the Law to a total of RM 500 millions (including the reserves, but excluding the Special Reserve) to the advantage of the bond-holders: secondly it consists in the first mortgages on agricultural, sylvicultural and horticultural land pledged with us by the institutions and banks acting as intermediaries between ourselves and the agriculturalists, and administered by us as Trustees in the interests of the bond-holders.

These mortgages must comply at least with the requirements of the Mortgage Bank Law of July 13, 1899. Under an agreement concluded with the intermediary institutions and banks they are not to exceed 30 per cent of the adjusted Wehrbeitrag value of the encumbered property as assessed for the Vermögensteuer (Tax on Real and Personal Property) of 1924, including revalorisation

mortgages with prior claim: the Americans allowed 40 per cent as the maximum limit. Revalorisation mortgages are not to be allowed to continue beyond a limited period and must in any case be paid off within the first year of the Loan. Until this is done, the amount of the revalorisation will not be paid over. Further, no charges are allowed to take precedence of the mortgage cover of the Loan except such as are registered in Part II of the Land Register, and are not charges on capital, and lastly are either inconsiderable or have been taken into account to an appropriate extent in the negotiation of the credit.

The agricultural charge imposed in favour of the Rentenbank by the Decree of October 15, 1923 and the Law of August 30, 1924 does not rank as a prior charge.

The mortgages are "amortisation mortgages" (Amortisations-Hypotheken): they must be fine gold mortgages in the sense of the Law on Fixed Value Mortgages of June 23, 1923, and must be denominated in gold marks.

As the mortgages, which we require from the intermediary institutions and banks, and which they pledge with us, have to serve as security both for our loans to them and as cover for the bonds which we ourselves issue, it was not possible to pledge them over again to the American capitalists, as the latter had originally desired. In order therefore to provide the bond-holder with the greatest possible security in respect of these mortgages, it is arranged to handle them in accordance with trustee procedure. The District Trustees, who are to be found in every district of the

Reich, are required to check the mortgage acceptances to see that they agree with the prescribed conditions, and to submit the results of their control, which are drafted in accordance with a prescribed form, to one of the three principal Trustees in Berlin for re-checking. The amounts of the credits may not be paid over until this process has been gone through and no objections found: the payment is then made by the Reichsbank as Chief Controlling Trustee in agreement with the Kreditanstalt. The Reichsbank in this capacity handles the entire proceeds of the loan, always in agreement with ourselves, until the prescribed cover of the whole amount of the loan is available in the shape of suitable mortgages: incidentally it also instructs the District Trustees in the matter of the custody of the mortgages.

One undoubtedly heavy burden connected with this Loan is the fact that we are not entitled to call it in for redemption until after ten years, viz., on September 15, 1935, and from that date onwards at each date for the payment of interest; and redemption in these cases must either be for entire amount of the loan or for portions not under $ 2 millions. The negotiations had at first proposed that redemption might begin after five years with a redemption premium of 5 per cent on the lines of the Dawes Loan. It was only by postponing redemption till the end of ten years that it was possible to escape the insertion of a provision for this heavy premium: the prolongation to ten years was preferred as the lesser of two evils both by the representatives of agriculture on our Council and by the intermediary banks and institutions.

The interest on our loan, which may not be quoted on German bourses, is free from "restricted liability to income tax" (Kapitalertragsteuer) within the sense of § 115 of the Income Tax Law: but the Finance Minister of the Reich retains the right to cancel this concession in the event of a conversion of the loan involving changes in the rate of interest or terms of redemption.

Preliminary inquiries, which were initiated towards the close of the year, with regard to a further American loan, justify the assumption that actual negotiations could at any time quickly be completed. It would appear also that other foreign money markets are desirous of meeting our requirements. The possibility however of obtaining funds from the Golddiskontbank, which though inadequate for our purposes are nevertheless not inconsiderable, relieves us of the necessity of entering on new negotiations with foreign capitalists immediately and prematurely.

It must be regarded as a highly gratifying circumstance from the standpoint of German agriculture that we were able at the beginning of the new business year, by an agreement with the Golddiskontbank, the original capital of which (£ 10 millions) is of course held by the Reichsbank, to obtain funds totalling at present up to some RM 250 millions at 7 per cent per annum, the whole amount being made over to us and utilised for purposes of real credits. The credits thus made available are comparatively short term: one third of them are redeemable in 3 years, one third in 4 years and one third in 5 years: but they nevertheless make it possible to provide the agriculturalist with money on terms (7 per cent per annum plus one half per cent for costs of

administration) total 7-1/2 per cent net, 98-1/2 to 98-3/4 per cent of the whole amount going to the recipient) which under present economic conditions in Germany must be regarded as uncommonly favourable. The slight discount comprises, with certain non-recurrent charges, the bond stamp of one half per cent. There will be occasion in our next Report to discuss this loan at length. But we are concerned at once to voice the hope that before the end of the first quarter the real credit requirements of agriculture will be able to be satisfied, whether out of German savings or additional foreign loan, on tolerable terms and in something like sufficient amounts.

Under § 3 1c the Kreditanstalt is authorised to place funds at the disposal of the Federal States, and of organisations indicated by the Government of the Reich or the Governments of the States, for purposes of agricultural development or settlement. In continuation of the work of the Rentenbank in the field of agricultural improvement (see Report of the Rentenbank for 1923-1924 and that for 1925), the Kreditanstalt took over RM 3 millions of agricultural improvement credits (Meliorationskredite), which the Rentenbank had granted to the Government of the Reich and others on short term, and added three millions of its own. The debtor in respect of these sums is the Deutsche Bodenkultur-Aktiengesellschaft of Berlin, whose entire share capital is in the hands of the Reich, and which has been indicated by the Government of the Reich to the Kreditanstalt as the recipient of the credit in conformity with § 3 1c. Interest at 6 per cent per annum is payable on these credits, and they are redeemable as to one half on November

30, 1932 and as to the other half on November 30, 1933.

The Kreditanstalt proposes to take over a further RM 9 millions of agricultural improvement credits from the Rentenbank, as soon as the latter's Board of Control decides on such transfer with the consent of the government of the Reich in accordance with § 9 of the Liquidation Law.

The Kreditanstalt has made the grant of these agricultural improvement credits dependent on the simultaneous provision of funds for the same purpose in equal amounts by the Reich out of the unemployment relief funds and by the Federal States, in which stipulation it has followed the practice of the Rentenbank. It has also made it a condition that its funds should be employed mainly for the continuance and completion of improvements already begun.

Amendment of the Law was necessary in the first year in connection with the conclusion of the American Loan. Under § 12 of the Law bonds issued by the Kreditanstalt must be covered to their full amount by Pfandbriefe or mortgages on agricultural or sylvicultural property in Germany, and such Pfandbriefe or mortgages must be pledged with the Kreditanstalt, or ceded to it, by the intermediary institutions and banks, with which they are deposited as collateral. These mortgages are then held for the bond-holders by the Kreditanstalt as Trustee. The American capitalists insisted on special security being provided in addition by pooling the whole of the mortgage cover for their loan in a single lump

sum set aside for the bond-holders, the Special Reserve which is to be created under § 11 paragraph 3 of the Law being also allocated to this purpose.

Provision had also to be made for the interest to continue to run for the benefit of the bond-holders in the event of bankruptcy.

The amending Law of November 28, 1925, published in the Reichsgesetzblatt Part I No. 51 of December 5, 1925, embodies these demands.

With regard to the Balance Sheet and the Profit & Loss Account we have the following observations to make:

We have loaned money, for which there was at the moment no other employment, to the Rentenbank on interest; and our credit balance with the same totalled on December 31, 1925 RM 29 409 908.01

"Securities" represent our holdings of our own bonds procured by us for sinking fund purposes of our own loan, the first amortisation payment on which to a total of $191 000 fell due on February 1, 1926. We purchased these bonds considerably below par: the amortisation on the other hand under the agreement with the Americans is at par. The necessary Devisen for the purpose were procured by us as required from the Rentenbank against interest.

The item "Personal Credits" represents the amount of our claims on the personal credit institutions and banks authorised under the Law, whereas the "Interim credits" represent advances to

real credit institutions and banks on mortgage loans which have been proposed and accepted but for various reasons have not yet been paid over out of the proceeds of the Loan, for example in cases where the procedure in connection with the Land Register takes up much time, which is unfortunately a very frequent case.

"Mortgage loans" represent those amounts, which have been finally paid over out of the American Loan against appropriate deposit of collateral, the revalorisation amounts being retained where such come into question.

As the loan of $ 25 million has to be covered at all times to its complete amount - and that in cash, where the collateral has not yet been handed over - the Assets contain the following item corresponding to the entry of RM 105 million for the loan under the Liabilities:

Mortgage loans concluded down to December 31, 1925	RM 68 067 725
Portion of the proceeds of the Loan still remaining with the Reichsbank as Chief Controlling Trustee, including the cover for the "spread" of the Loan	36 932 275
	RM 105 000 000

RM 2 019 516.45 have been retained in respect of "Revalorisation amounts" pending the settlement of the revalorisation mortgages in question. In view of our obligations in relation to the real credit institutions and banks this amount reappears as a counter-entry under the Liabilities, and is included in the amount of RM 68 067 725 given above.

"Othe assets" include, in addition to the deposit for credit of the Reichsbank to cover the "spread" of the Loan of RM 12 600 000 (at 88 per cent of a nominal $ 25 millions = RM 4.20), and - apart from insignificant amounts - only such sums as are involved in the final taking over of the loan (stamp of the Reich on bonds of one half per cent, costs of issue, credits to Trustee, etc.).

"Other liabilities" include the counter-entry to the above-mentioned RM 12 600 000 to cover the "spread" of the Loan, and further - apart from inconsiderable amounts - such sums as will fall to be set against corresponding entries under "other assets" after the taking over of the loan is complete (penal interest, discount etc.)

In the Profit & Loss Account the receipts of interest for the period from August 5, 1925 to the end of the year are offset by expenditure incurred to a total of RM 417 845.74 together with penal interest on our own securities. This expenditure includes a lump sum of RM 350 000 for personal and material disbursements, representing the share of the Kreditanstalt under these heads according to an agreement concluded with the Rentenbank. The Management of both institutions is in the hands of one and the same group of individuals, which results in a comparatively low charge on both institutions for personal expenditure. The objections, which were made before the Kreditanstalt was constituted to its taking this form, are thus refuted.

Out of the net profit of RM 5 304 747.75 shown in the Profit & Loss Account, we are required under the Law (§ 11 paragraph 2) to assign 25 per cent (= RM 1 326 187) to the main reserve and (under § 11 paragraph 2) a further 33-1/3 per cent (= RM 1 768 249.25) to a Special Reserve for the benefit of the bond-holders. By placing this amount to the Special Reserve therefore we should have satisfied the obligations of our American agreement. As however in the meanwhile the loan with the Gold-diskontbank has been concluded, and the necessity of constituting a special reserve in connection with this loan for the mortgage bonds to be created under it is not excluded under the provisions of the Law, and as further the conclusion of a new foreign loan within the not too distant future is not excluded, we propose to hold the entire amount of RM 3 978 560.75 remaining after the legal transfer to the main reserve, so as to be available for special reserve purposes, with the result that there will be no increase of the capital out of the year's surplus. This action appears the more permissible in that it is to be expected that the Rentenbank will decide to hand over an appropriate portion of their available funds under § 9 of the Liquidation Law to us.

With regard to the item "Personnel" we need only observe in addition to what has been said above that at the present moment there are only employed in the two banks (Rentenbank and Kredit-anstalt) in addition to the three members of the Managing Board and five managing clerks, only 135 employees including domestic staff.

THE MANAGING BOARD
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (LANDWIRTSCHAFTLICHE ZENTRAL BANK)

LIPP KISSLER SZAGUNN.

We agree with the above Report and with the proposal of the Managing Board for the distribution of the net profits.

THE COUNCIL OF ADMINISTRATION
OF THE DEUTSCHE RENTENBANK-KREDITANSTALT (LANDWIRTSCHAFTLICHE ZENTRAL BANK)

The President

LENTZE

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TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 20, 1926.

REPORT OF THE DEUTSCHE BANK FOR THE YEAR 1925.

The year 1925, the 56th year of the Deutsche Bank's activities, was marked by a severe economic crisis in Germany. In the preceding year the country had struggled out of a morass of Inflation beyond all parallel on to the solid ground of stable and assured currency conditions, thanks to the rescuing plank provided by the Rentenmark and the Dawes Agreement. The inevitable sequel was Deflation and the reduction of the intolerably swollen number of producing and trading concerns. At the end of 1924 the number of Joint Stock Companies was 17 074 as against 5 486 before the war, although the aggregate capital showed no very appreciable increase. Limited Liability Companies had increased almost to the same extent from 26 790 at the end of 1913 to 79 257 at the end of 1924. The increase in the case of individuals engaged in these undertakings was also excessive. The process of dividing up the diminished total turnover amongst this multiplicity of heads encumbered production and sales with too high charges, and clogged alike capital, credit and supply. The power to compete in foreign markets was affected, while in the home market the real purchasing power of the nation's income was heavily reduced. The expectation of good returns on the

remaining capital of the various undertakings, as entered in the assets of the new gold balance sheets after drastic writing down, was widely disappointed. The necessity for standardisation on a thorough-going scale became more and more apparent: and to enable this process to be carried through without heavy loss, in the face of technical difficulties, personal questions and shortage of capital, much more favourable conditions than those which actually prevailed were required.

The failure to evacuate the Cologne zone and the prolongation of the Ruhr Occupation until the month of August were factors operating throughout Europe against that political tranquillity which is the first condition of economic development.

Hand in hand with the unfavourable effects of foreign politics was the scarcely less hampering conflict between old and new in the field of internal policy . Rigid political standpoints on the part of Left and Right alike hindered that cooperation of employers and employed, which was necessary to meet the difficulties of this period of transformation and transition.

The demand for credit, which in view of the shortage of national capital was exceptionally insistent, could not be met in anything like complete proportions. On the one hand the immoderate agitation for excessive revalorisation of pre-war indebtedness created great uncertainty; and the Revalorisation Law which was at length passed in July, and in every respect unsatisfactory compromise, affected adversely the credit of

innumerable concerns in industry, commerce and agriculture alike. On the other hand foreign countries showed great reserve in granting long-term credits, while internal savings were on too exiguous a scale. Such as they were moreover, foreign credits and internal savings were alike chary of the risks of industrial investment, in view of the exceptionally high interest to be earned on bank deposits and mortgage loans. Some 600 million worth of mortgages could be placed by the mortgage banks and Landschaften (Prussian Land Banks); but the sale of new industrial shares and bonds remained insignificant. The economy of the country had accordingly to be satisfied with such short-term credits as it could obtain from abroad or from the German banks.

The consciousness that no small amount of this short money was absorbed by the borrowing firms in such a manner as not to be accessible anywhere in the near future, and the increasingly apparent absence of returns - to which an unsuitable system of revenue collection, and an excessive scale of taxation due to the unseasonable swelling of the Budgets of the Reich, States and Communes, powerfully contributed - begat lack of confidence. It was apparent from February onwards in a continuous decline of Bourse quotations, and reached the point of open crisis in June, when the difficulties of the Stinnes concern became known. The Stinnes case proving to be only the first, though no doubt the biggest, of a series of similar cases which came before the public in succeeding months, the

position developed to the proportions of a general national crisis, which was not yet overcome at the close of the year. In December alone 3 048 concerns suspended payment (1 660 bankruptcies and 1 388 "Geschäftsaufsichten"), a figure which represents nearly four times the monthly average of the year 1913.

The new year finds the national economy in a deplorable condition. Sales are slack as a result of the reduction or absence of income on the part of wide circles of the population on the one hand and the high price level on the other hand, in practically every branch of industry; the position is least severe in the electrical and chemical industries, brewing, brown coal (lignite) mining and in a section of the paper industry, while it is at its worst in the heavy industries, shipbuilding, machinery, locomotive and rolling stock manufactures, and in the automobile industry. At the same time the marked fall in wholesale prices in the case of the majority of German agricultural products and also of a number of important imports operates unevenly in its effects; while it cheapens the cost of living, it at the same time involves heavy losses on the existing supplies.

The dark clouds overshadowing the economic situation of the country obscure all that has been done in the past year in the direction of reconstruction and recovery; and that is not a little.

Political relations with foreign countries have improved during the year. Attention may be directed to Germany's entry into the International Chamber of Commerce, and still more to the

satisfactory results of the Presidential Election, which was so much criticised at the outset, and lastly to the Conference of Locarno. As commercial relations with foreign countries are a decisive factor in the reparation problem, and the return of national prosperity, and as international commerce is dependent for its development on high politics, the agreements of Locarno and the entry of Germany into the League of Nations are of the first importance in the purely economic field as elsewhere.

Germany was able to increase her exports (not including gold and silver) by 2 264 millions to a total of RM 8 798 millions; in this figure the important category of Manufactured Articles represents RM 6 625 millions, an increase of 1 437 millions. The various Commercial Treaties concluded during 1925 with foreign states have undoubtedly contributed largely to this result. It is very much to be wished that the Provisional Agreements should be converted into definitive Commercial Treaties as soon as the necessity for thoroughly preparatory work permits, and that a new system of commercial agreements with other countries, taking the new requirements of our trade into account, should be evolved. The possibility of balancing imports and exports depends on this being done. The excess of imports over exports, which shows great irregularity over the various months as a result of the undefined position in regard to impending commercial agreements or tariff changes,

attained the alrming total of some RM 3 600 millions for the year. Only 65 millions of this adverse balance however are for the month of November, in which the effects of the crisis were very conspicuous, and in December there was even for the first time an excess of exports to the amount of 36 millions.

In view of the large excess of imports a marked increase in the foreign indebtedness of the country would not be matter for surprise. In fact however the volume of our indebtedness has not increased, or has increased only slightly. According to calculations, which are based partly on reliable actual figures and partly on hightly expert estimates, the total foreign debt at the close of 1925 was approximately 3.5 milliards of Reichsmarks, of which over 2 milliards (including the Dawes Loan) were long-term loans. This means that the long-term loans, which we have recently obtained from abroad, have gone primarily to the conversion of short-term debt, and not to the increase of the total of indebtedness. If on this showing the total of our foreign indebtedness is not more than the year's adverse trade balance, the return of German capital from abroad after the stabilisation of the currency must have sufficed to balance the losses of previous years.

Agriculture has made great advances. Lavish use of artificial fertilisers and technical improvements combined with favourable weather conditions have made it possible to produce 84 per cent of the average yield of grain in the three harvests before the war, and so much as 110 per cent in the case of potatoes.

Agriculturalists find themselves nevertheless in difficult financial conditions, since the prices which they obtain for their products are out of proportion to the increased costs of production and the high rates of interest, and further the revalorisation figures, which under the Third Steuernotverordnung were estimated at about RM 1 800 millions, are now increased to RM 3 000 millions with resulting adverse effects on agriculture's credit. It is of decisive importance for our balance of payments that the import of agricultural products should be continuously reduced. The Government and the economy of the country must accordingly cooperate to assist the agricultural interest over its present difficulties, and to enable it to continue to increase production.

The educative effect of the crisis on all classes of the national economy is at present a psychological factor only, which has not had time to operate. In the future it may assume much greater significance. Reductions and reconstructions of businesses have already been considerably accelerated, within the limits of what was possible, and have been more drastic. It has been possible to reduce stocks and to cut down the number of workers and employees without diminishing production. The rapid increase in the figures of unemployment since the middle of November are evidence of the working of the crisis and at the same time of the beginning of economic reconstruction. Side by side with the scrutiny of the productiveness of individual concerns and the reorganisation of the same as found necessary,

a tendency of the greatest significance towards amalgamations and fusions of enterprises is conspicuous, at present in its initial stages only. The potash and dyestuff industries, and in a lesser degree the oil industry have led the way: and amalgamations on the biggest scale are impending immediately in the heavy industry of East and West Germany alike. These developments have not been without influence on the attitude of the Government. Until the crisis became acute all representations on the part of the industrialists had met with a deaf ear on the part of the Government: it now displays a readiness to eliminate the fiscal obstacles in the form of taxation which stand in the way of combinations. The Government has further decided to take in hand and reorganise the system of taxation and to revise the high rates, which have contributed so much hitherto to prevent businesses from paying. It has gone further and in a number of instances has intervened with effect to assist large and important undertakings in difficulties out of the hoarded resources of the State. The action of the Government in using these funds to counter the consequences resulting in the main from their accumulation will be readily appreciated: that the Government should have used the opportunity to transfer to public hands industrial undertakings, which had better have been left in private ownership, will be less readily appreciated.

The task of the banks under these conditions was painful in the extreme. They have made every effort to promote the process of reduction. Their motive has been throughout to return

to normal conditions as far as possible. They have begun again to publish two-monthly balance sheets: in these the figures for "bank acceptances", which had completely disappeared from the banks' returns, have once again been included, while on the initiative and with the help of the Reichsbank a private discount market has been again created. Forward transactions in securities have been restored, first on the Berlin and Frankfort Bourses, and later on all the big Bourses of Germany. The attempt has been made to remedy the inconveniences in connection with Stock Exchange transactions in miniature amounts by new forms and methods of purchase and sale.

The banks have endeavoured to come to the assistance of their customers to the utmost possible degree, and the principles which they had formerly adopted in the granting of credit in order to maintain their resources in liquid form have been purposely relaxed. On October 31 (the last published return) the "Creditors" of the big Berlin banks has increased by about 1 milliard. The whole of this increase was loaned out to "Debtors". At the same time the services of the banks were available as intermediaries for foreign borrowing, while large sums were made available for bill brokers. The rates for interest and commissions on these credits, which at the beginning of the year amounted to 16-1/2 per cent, were reduced in January to 15, and in February to 14 per cent. A further reduction to 13.4 per cent was effected at the end of September under pressure from the Government, which was anxious to include relaxation of bank terms in its programme for keeping down prices.

The reduction was not justified by the financial position of the banks, which declined severely in the last quarter of the year. The last few months of the year, it is true, brought large sums into the market in view of the bad trade conditions and the contraction of the supply of bills. These funds however owing to the lack of confidence of the market in the position were only loanable from day to day, and there was little profit to be made by the banks. The possibilities of investment at so short term were lacking. The volume of bills in circulation, which would have provided such possibilities, was markedly reduced. The reduction of bills in circulation was no doubt due in great part to the elimination of accommodation paper as a result of the market's mistrust: but in great part it was due to an actual decline in genuine trade bills. This decline was such that the Reichsbank was able at the end of the year to abandon - in practice - the system of credit rationing, which it had maintained in the interest of the currency since April 1924, without arresting the continued reduction of its portfolio.

There were no other sources beside the money and bill market for the banks to tap during the past year. The savings power of the public has indeed increased; but it is a long way from being such as to make capital issues and bourse business remunerative. As for speculation, it was the last thing that the times were calculated to encourage. Those who find themselves confronted with the necessity of paying on their bank accounts interest charges, which would be difficult for a remunerative business

while for businesses struggling with the difficulties of the situation they are prohibitive, can see nothing before their eyes but the figure of the charges with which they are burdened. By the public accordingly the banks were frequently attacked for their alleged "interest policy". The public regarded them falsely as masters of a situation, of which they were in reality the victims.

If from the profit of approximately RM 17 500 000, which was earned by the Deutsche Bank in the year 1925, the yield of securities, joint operations with other parties and permanent holdings in other concerns are deducted, together with the interest on the bank's "nostro" credits abroad which amount to approximately the same figure as the share capital of the bank, there remains a net profit of approximately RM 8 500 000, which is not 1 per cent of the figure for "creditors" at the beginning of the year and scarcely over two-thirds per cent of the same figure at the end of the year. As, moreover, this net profit is made up very largely of commissions on turnover, charges for middlemen transactions, securities and foreign currency transactions and the like, it is clear that the "margin" between what the banks borrow and what they lend has yielded very little more than the costs of administration.

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ANNUAL REPORT OF THE REICHSBANK FOR THE YEAR 1925

Translation of pages 1 to 27 of the German text.
For Annexes IV to VII see German issue.

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Berlin, March 23 1926.

During 1925 confidence in the new German currency gained strength. On foreign markets the Reichsmark was never quoted below par. There was an encouraging increase in the deposits with German banks, savings banks and other banking and financial institutions. As all the foreign exchange demanded of the Reichsbank was always made available to the full amount required, the redeemability of the notes in gold was de facto restored.

It is to be regretted that the economic position as a whole, especially during the second half of 1925, was less favourable than that of the currency. The conditions indeed became more and more critical. It seemed as though the natural consequences of the many blows suffered by Germany during the last ten years would yet triumph over the will of the German nation for self-assertion and reconstruction. In particular, the permanent deficiency of capital which was lost or unwisely expended during the Inflation, made the badly needed standardisation and rationalisation of the national economy more difficult; and finally, in spite of bright spots on the political horizon, it combined with excessive interest charges and public taxes, and with unfavourable price and market conditions, to produce a disastrous increase in the restriction of production and unemployment, in bankruptcies and in the number of firms placed under official supervision (Geschäftsaufsicht).

Although the Reichsbank was naturally not able to make good the distress due to the capital shortage by the printing of notes, it nevertheless helped matters as much as possible by continuing to satisfy applications for credit to the limit of what was permissible in view of its currency policy, and also by supporting both in word and in deed all efforts to procure either in Germany or abroad the long-dated capital for productive purposes which is now so urgently required.

The strict credit policy introduced in April 1924 in the interests of the currency could not be given up before the month of December 1925. The defects of the system of credit rationing were nevertheless more and more obviated by various measures adopted by the Administration of the Reichsbank, in particular by introducing far-reaching adjustments and by considerably exceeding the quotas fixed, in accordance with the seasonal and local requirements. It was, moreover, of great importance that the Reichsbank declared its readiness to admit the acceptances of certain first-class banks and bankers without including them in the aggregate total which it laid down for the granting of credit. In the case of loan transactions against collateral (Lombardverkehr) it was possible repeatedly to extend the list of acceptable securities by including large categories of mortgage bonds expressed in gold or in Reichsmarks.

The graph given below which compares the currency circulation on the one hand with the credits granted by way of bills of exchange and advances against collateral by the Reichsbank, the Rentenbank, Private Banks of Issue and the Golddiskontbank on the other hand, shows that, in spite of the general depression, the sums granted in respect of the credits indicated above were larger at the end of 1925 than at the end of the previous year, although in the meantime the credits granted by Banks and other credit institutions had increased very considerably, and although during the year under report capital to the estimated value of $2^1/_2$ milliards of RM had poured into the country from abroad. That these considerable new credits did not put an end to the shortage of capital in Germany more effectively than they did, was mainly due to the fact that the credits could not be made available for sufficiently long periods and on sufficiently bearable terms. The considerable increase indicated by the graph in the circulation of notes and coins, coupled with the development of cheque and similar transactions (bargeldloser Zahlungsverkehr), is further testimony to the effectiveness of the policy of the Reichsbank (which made such development possible) in meeting the economic requirements of the country. That it did not observe undue reserve is also shown by the increase in its holding during the year under report of protested bills and temporarily unrealisable claims in respect of bills of exchange and advances against collateral.

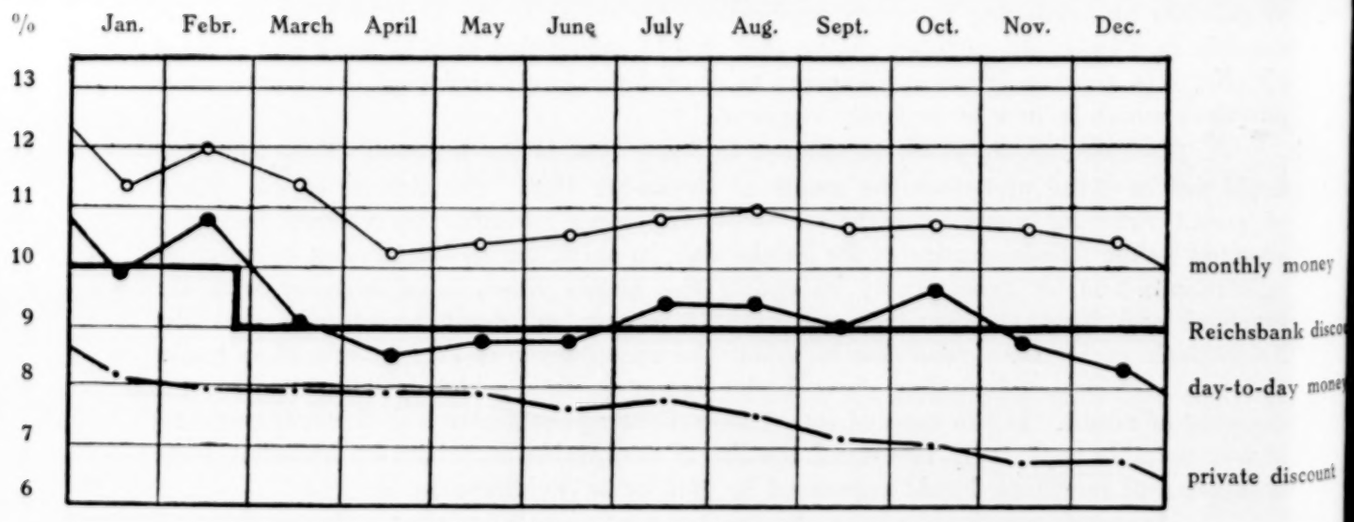
In view of rising prices and wages and of the tendency to speculation which is a survival of the Inflation, the Reichsbank was sometimes accused in 1925 as in previous years of going to the other extreme and of granting credits and taking up foreign exchange too freely. To this accusation the Bank replies that it has undeniably fulfilled its principal duty, that of upholding confidence in the currency both at home and abroad, and that subject always to this condition it feels itself obliged to serve and help the national economy in the hour of its need by all the means in its power.

The Bank accordingly continued during the year under report with energy and patent success its efforts to facilitate credit for German production by reductions in interest rates and commission charges of the banks and credit institutions.

The following table shows the fall in the more important interest rates during 1925.

Movements of the rates of day-to-day money, monthly money, private discounts on the Berlin exchange (monthly averages) and of the Reichsbank discount rate.

1925



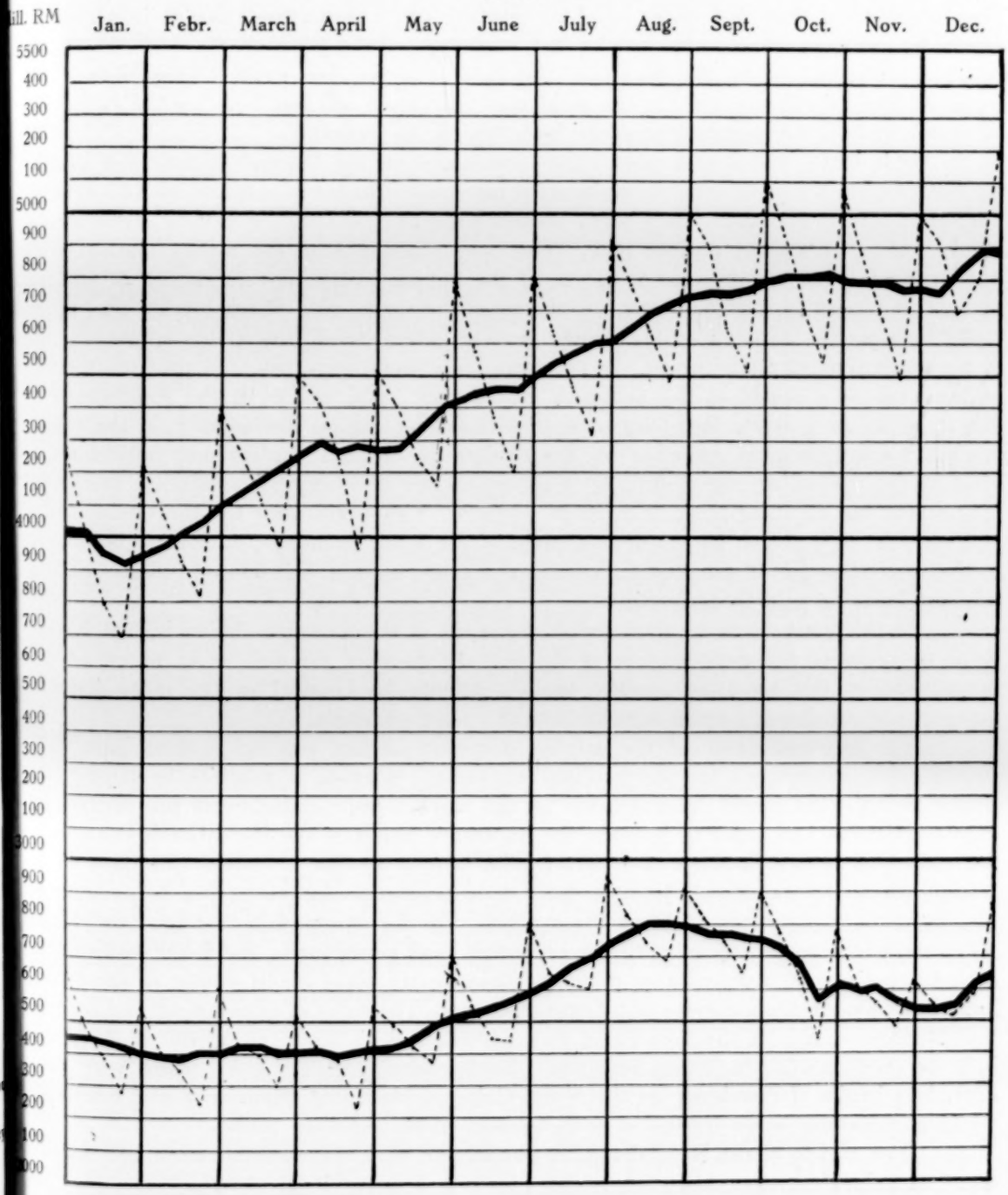
Upper curves:

Total circulation of currency in Germany
(Reichsbank notes, Rentenbank notes, Private Note Bank notes, small coins).

Lower curves:

Total holdings of bills and loans against collateral of the Reichsbank, Private Banks of Issue, Rentenbank and Golddiskontbank.

1925



- - - Variations from week to week
——— Average of each 4 weeks.

The Reichsbank itself reduced its discount rate on February 26 1925 from 10 per cent to 9 per cent and its rate of interest on loans against collateral from 12 to 11 per cent. Special reference will be made below to the further reduction of the interest rates of the Golddiskontbank. Turnover and lump sum charges were abolished for the Giro transactions of the Reichsbank and the charges for sums paid in by persons not holding accounts with the Bank reduced. For the purchase of bills of exchange, the Bank re-adopted the conditions which it formerly applied. In the case of bills for 5000 RM and more a minimum of 5 interest days was reckoned, instead of 10, as formerly. In the case of the purchase of cheques, interest was likewise calculated on 5 instead of 10 days. The expectation that the whole level of interest and commission charges in Germany would be correspondingly affected by the measures of the Reichsbank was completely realised, notwithstanding the fact that the rates charged for credit transactions apart from the Reichsbank are still for the most part extremely onerous both for the recipients of credit and in the general economic interests of the country.

It is to be noted with regret that conditions on the German money and capital markets during the year under consideration have failed in other respects also to develop normally. It is true that funds were almost regularly plentiful, but they were almost always offered for short periods only. The easy conditions on the money market were due to the increase in the cash reserves of the nation, to the new formation of savings, to foreign money of various kinds, which, when converted into Reichsmarks, was sometimes temporarily invested on the money market before being definitively employed, and to accumulations of public funds. In addition, large sums were released towards the end of the year as a result of the economic depression. The efforts of the Reichsbank to divert as far as possible into long term investment all capital not needed on the money market were constantly impeded by the reluctance of both lenders and borrowers, in view of the prevailing uncertainty as to future money and interest conditions, to commit themselves for anything more than short periods. This preference for short-term transactions was, as is shown by the development of the stock exchange, extremely prejudicial to the reconstruction of the mortgage, bond and share market, and cannot indeed continue without bringing ruin to agriculture.

In this connection mention should be made of the measures taken by the Reichsbank to promote the development of the private discount market, so as to ensure the investment of the so-called „public funds" (öffentliche Gelder) in the most practical manner and to direct foreign credits into the right channels.

The reconstruction of the private discount market was on various grounds of considerable importance for the national economy. It made it possible to satisfy relatively cheaply the credit requirements of the market independently of the Reichsbank credit rationing. In order to provide the necessary impetus, the Reichsbank encouraged the principal Berlin banks und bankers who belong to the so-called Stamping Association (Stempelvereinigung) to turn their own reputation for reliability to account by placing their acceptances again on the market. On the assumption that the acceptances given were in proper proportion to the accepting bank's own funds, the Reichsbank undertook to re-discount them without including them in the total credit quota. In this way it hoped to promote the purchase of private discounts. The firms in question agreed together that no firm should for the time being give acceptances to the total amount of more than half its own capital, including reserves. Similar arrangements were made with other first-class banks af Frankfort on the Main, Cologne, Hamburg, Mannheim and Karlsruhe while negotiations were instituted with banking firms in other places.

The efforts of the Reichsbank, in connection with the administration and employment of public reserves and other sums constituted under legal compulsion or, like the funds of savings banks and insurance undertakings, always subject to State intervention were fully discussed in the Report of the Managing Board for 1924. During the year

under consideration, the Bank continued its endeavours to ensure the investment of the funds in question in a manner beneficial to the national economy. It was thus possible to invest part of the funds in the general credit business of the Reichsbank, which temporarily transferred part of its holding of bills by the process of re-discount to the public departments concerned. Another part of the funds was placed by the Reichsbank on the private discount market. Further, in agreement with the Reichsbank, considerable sums from the public funds were transmitted to banks and other money institutions, who passed them on to the nation as a whole in the form of credits. It is specially noteworthy that the Bank, with due reference to the quite comprehensible interest of the lenders, succeeded in converting part of the funds hitherto loaned for short periods into long-term investments, such as were so extensively favoured before the War, in agricultural mortgage bonds and in mortgages generally.

At this point we cannot refrain from repeating emphatically that in our opinion the cash reserves collected in the public coffers since the end of the Inflation constitute, in their past and present volume, a most unhealthy withdrawal of strength from the nation as a whole. It is to be hoped that a change will be brought about by the taxation reductions which have been introduced and by improved management of the public finances. As all capital released or newly formed should belong in the first place to production, all the administrative departments of the Reich, the Federal States and the municipalities should observe the greatest restraint, not only in foreign borrowing, but also in laying claim to German resources. The separation of the Postal Service and of the Railway from the finances of the Reich, as at present constituted, calls increasingly for amendment in the interests of uniform and concentrated cash-keeping in all departments. The question as to how, when the accumulations of funds by the Reich itself have been dispersed, those of the Postal Service and of the Railway are again to be made available as they once were for the general requirements of the Reich, urgently requires solution. In this connection the Reichsbank has on several occasions made detailed proposals.

The previous Report of the Managing Board explains in detail the attitude adopted by the Reichsbank towards the influx of foreign capital. The same policy was pursued during the year here under consideration. It has continued to protest against short-dated foreign credits, and to urge long-term borrowing, if borrowing there must be, with the result that the ratio between the short and long term foreign loans of Germany improved considerably along the lines indicated.

In 1925 also the Bank took up all foreign exchange derived from foreign credits which was offered to it, and in this way also materially assisted the national economy in its search for credits; for foreign credits not directly used to pay for imports can only be employed in Germany after conversion into Reichsmarks. The purchase of foreign exchange, moreover, was in conformity with the currency policy of the Bank. If it had refused to accept large sums in foreign exchange, there would have been danger of losing the stability of the currency and of causing the overvaluation of the mark as compared with foreign currencies. In the interests of the import and export trade, and of the credit market, as well as in the general interest of the currency, it seemed necessary to prevent such fluctuations from par, even if their ultimate result were in the direction of bringing gold into the country. Moreover the Reichsbank was always in a position on its own initiative to buy or exchange gold for Devisen on important foreign markets without endangering the German exchange. This was frequently done during the year under consideration, in order to obtain the necessary 30 per cent actual gold cover for the increasing note circulation. It had to go even further in this direction than was necessary for the requirements of the moment, in order to provide for contingencies and for the exchange of Rentenbank notes for Reichsbank notes which is now being effected. Moreover there are technical grounds which make the accumulation

of gold necessarily a gradual process, in which it is essential to look a long way ahead. It may also here be gratefully recorded that there was always complete agreement with the friendly Central Banks of Issue in foreign countries on the measures indicated in connection with the gold and foreign exchange policy, and that in general the efforts towards collaboration on the part of the Central Banks have made satisfactory progress.

The Reichsbank policy with regard to the delivery of foreign exchange to clients has likewise not changed. As stated above, the Bank has made available all sums required of it and has thus satisfied (especially about the middle of 1925) considerable claims, totalling many hundreds of millions, without causing disturbance on the foreign exchange market or elsewhere.

As in 1925 the influx of foreign capital into Germany continued to a degree which was to some extent open to objection, from the point of view of the currency policy, it seemed advisable to do everything possible without prejudicing legitimate German interests, in order to restrict the employment of foreign credits to what was economically necessary and tolerable. The most desirable use to which the credits can be put is the promotion of branches of production which are likely to improve the German balance of trade, that is, to increase exports or decrease imports. As the foreign loans of public departments to a large extent do not fulfil this condition, the Reichsbank supported the creation of a special Advisory Board for foreign credits to public authorities, on which it is always represented and which is charged to investigate the advisability and necessity of the foreign credit applications of the municipalities, the Associations of communes and the Federal States from the general standpoint of the national economy and currency. It is impossible to attach sufficient urgency and weight to the fact that the annual sum to be produced in foreign currency for the service of interest and amortisation on the foreign loans, which already amounts to several hundred million Reichsmarks, is an additional heavy charge which, together with other charges, must at any cost be produced by the nation if the credit of Germany is to remain intact. If foreign media of payment are not normally produced in sufficient quantities for this purpose, measures for the improvement of the German balance of payments might have to be taken by the oppressive restriction of internal credits and a corresponding rise in internal rates of interest. Parties which now contract foreign credits, or allow them to be contracted, unless driven by dire necessity, should realise the heavy responsibility involved from the point of view of currency and economy as a whole.

In this connection it should further be mentioned that the German Golddiskontbank, which was deprived of its right of issue (which had, however, never been utilised) with the coming into force of the new Bank Law and had begun to liquidate its business, resumed its activities in April 1925 with the consent of all parties concerned, since it seemed desirable in the interests of German economy to retain this practical means whereby those interested in foreign trade can obtain foreign credits. As stated in the previous Report of the Managing Board, the Reichsbank acquired all the shares of the Bank and paid back the credit of 5 million pounds sterling granted by the Bank of England even before it fell due. At the end of the year, the credits granted by the Golddiskontbank again amounted to 8,8 million pounds sterling. Further credits to the amount of approximately 485 000 pounds sterling were approved, but not yet claimed. The discount rate was reduced to 7 per cent with the resumption of business on May 19 1925 and further reduced to 6 per cent on October 14 1925.

The action taken in the meantime to extend the field of operation of the Golddiskontbank so as to make it also available as a source of credit for the agricultural interest must be left for mention in next year's Report. The motives behind this action are in principle the same as those which have actuated the Reichsbank in all the steps which it has taken in the interest of agriculture, that is to say the endeavour to make funds at present invested at short term available, as far as possible, for the longer-term

requirements of the agriculturalist. It was, in view of the extreme importance for the economic life of the country as a whole that agricultural production should be increased, a matter of course for the Reichsbank that it should devote special attention to the interests of agriculture. For the steps taken by us in the year 1924 we may refer to our last year's Report. In view of the continued difficulties of agriculture, which — apart from the shortage of working capital — were intensified by the fall in prices of agricultural products, and further by the fact that the longer-term credit market on which the agriculturalist is primarily reliant was almost completely destroyed, the Reichsbank displayed the most far-reaching readiness to help in connection with the transfer of the Rentenmark bills to the Rentenbank in accordance with the Law. We had already in a number of cases accorded repeated extensions to the agricultural bills dating from the year 1924, so as to give the cultivator in search of credit time to find facilities elsewhere, or to enable him to transfer his bills to the Rentenbank. In addition the Reichsbank, even after it had transferred its portfolio of agricultural bills to the Rentenbank, continued to purchase bills of this character, in so far as it was possible to do so, consistently with the provisions of the Bank Law. These bills also it frequently prolonged.

Reference has already been made in other passages of this Report to the indirect assistence, which the Reichsbank rendered to agriculture in the course of the year under consideration, in the direction of reviving „real" credits for the cultivator. The chief action taken in this direction is to be found in the endeavours which we have made to divert every form of „public funds" to the task of financing special requirements of agriculture (such as the provision of fertilisers), and to the purchase of agricultural mortgage bonds. We ourselves made large purchases of such mortgage bonds for the Pension Fund of the Reichsbank at the beginning of 1926. The revival of the agricultural mortgage bond market and the increased quotations which followed on our action — a movement, which was incidentally strengthened by the steps taken by the Golddiskontbank in relief of the agricultural interest to which allusion has been made above — had the effect of stimulating the market for agricultural mortgage bonds, reducing interest and other charges and so helping not only the „real" credit market but the investment market as a whole. In the pursuit of this end, and at the same time with a view to meeting the objections which at times were raised to such procedure in the interests of the liquidity of the funds in question, the Reichsbank further on more than one occasion extended the list of agricultural mortgage bonds admitted as collateral for loans. Reference may further be made to the co-operation of the Reichsbank in the foundation of the Rentenbank-Kreditanstalt and in connection with its activities as trustee in the case of the foreign loan of the Kreditanstalt.

Total Transactions

The total transactions of the Reichsbank for 1925 amounted according to Annex I to:

		1924:
Reichsbank-Head Office .	RM 255 885 347 500	(RM 222 639 288 000)
„ Branches . .	„ 318 633 768 900	(„ 303 388 596 200)
Total	RM 574 519 116 400	(RM 526 027 884 200)

It exceeded the turnover of 1913, viz. 422,3 milliard marks, by 152,2 milliards.

Goldreserve

The gold reserve of the Reichsbank without charge amounted to the following:

		Total		of which deposited abroad
as at December 31 1924	RM	759 608 831,63	RM	207 111 660,95
as at December 31 1925	„	1 208 074 412,76	„	96 601 462,94

The gold reserve hat therefore reached the level at which it stood towards the end of 1913, i. e. 1170 million marks; it continued to increase practically without a break

during the year under report. The above reserve was composed at December 31 1925 of bullion and foreign gold coins amounting to RM 658 939 732,76, calculated at the rate of one pound of fine gold = RM 1392.

During the year under report RM 423 573 514,83 worth of bullion, foreign gold coins and gold coins of the Reich offered on foreign markets were purchased. RM 22,5 millions returned to the coffers of the Reichsbank upon the liquidation of a valuta credit taken up abroad against gold deposit. Smaller quantities of gold were received in the course of transactions in Germany.

During the month of September the issue of gold for industrial purposes was again introduced. Gold plate to a total value of RM 683 400 in round figures was distributed by the close of the year.

Foreign Exchanges (Devisen) employed as Note cover

According to § 28 of the Bank Law of August 30 1924, Devisen may be employed as gold cover for the bank notes in circulation. For this purpose the following Devisen holdings of the Bank were ear-marked as cover:

as at December 31 1924	RM 253 202 000
as at December 31 1925	„ 402 534 000

Silver holding

The Reichsbank had the following quantities of silver coins and silver bars which had been withdrawn from circulation:

as at January 1 1925	RM 766 956,34
purchased during the year	„ 4 802 134,42
Total:	RM 5 569 090,76
sold during the year	„ 1 950 130,52
so that the reserve held by the Bank on December 31 1925 amounted to	RM 3 618 960,24

Stock of Small Coins

At the end of the year under report the coffers of the Reichsbank contained small coins to the value of RM 62 469 236,43 as against RM 46 378 770,56 at the end of the preceding year. The highest figure was reached on June 23 1925 with RM 72 101 000. The increase as compared with the previous year is chiefly attributable to the increased amount of 50 and 10 Pfennig pieces, of which the Reichsbank held a total amount of 46,4 millions at the close of the year under report.

Stock of Rentenbank notes

The holdings of Rentenbank notes amounted

as at December 31 1924 to	RM 145 106 642
as at December 31 1925 to	„ 133 041 451

The lowest amount held was RM 120 243 000 on September 30 1925; the highest amount held was RM 544 673 000 on April 23 1925.

Rentenbank notes to the value of RM 1475,7 millions were in circulation at the close of the year.

Investments in Bills

According to the Weekly Returns of the Bank, the bill holdings were as follows

as at December 31 1924	RM 2 064 094 000
as at December 31 1925	„ 1 914 780 000

The statements of the Bank contained in Annex VI show the development of the bill portfolio during 1925. The proportion to the total holdings of the bills with two signatures eligible for discount in conformity with § 21 Figure 2 of the Bank Law was 11,7 per cent on December 31 1925 as against 17 per cent at the end of the previous year.

The following detailed information can be given with regard to the bill holdings.

a) Inland Bills and Cheques

Inland bills and cheques purchased during 1925:

2 500 099	Town bills and cheques (Platzwechsel und Schecks) for	RM 4 791 781 134,27	(in 1924: 2 162 024) (in 1924: RM 8 884 313 080,42)
8 920 281	country bills and cheques for collection (Versand- und Einzugswechsel und -schecks) for	RM 12 486 255 202,06	(in 1924: 5 160 205) (in 1924: RM 8 944 623 790,16)
Total 11 420 380		for RM 17 278 036 336,33	

The following were withdrawn:

	1924:			1924:
2 477 300	(1 905 749)	Town bills and cheques for	RM 4 788 646 649,69	(RM 7 937 083 648,95)
8 511 036	(4 525 680)	country bills and cheques for collection for	„ 12 567 076 082,30	(„ 7 780 827 315,—)
Total 10 988 336			for RM 17 355 722 731,99	

At the end of the year RM 473 143 000 had been re-discounted as against RM 492 820 000 at the end of 1924.

On December 31 1925 the holdings of inland bills and cheques amounted to RM 1 329 030 518,63 (End of 1924: RM 1 879 859 914,29).

b) Bills taken over from the Golddiskontbank

Of the bills taken over from the Golddiskontbank

there were holdings at January 1 1925 amounting to . . .	RM 2 076 375,—
and purchases amounted to	„ 106 468 985,04
	RM 108 545 360,04
of which there were negotiated	„ 84 139 312,34
so that the Reichsbank holdings of Golddiskontbank bills at December 31 1925 amounted in value to	RM 24 406 047,70

c) Foreign Bills and Cheques

The holdings of foreign bills and cheques amounted on January 1 1925 to:

			1924:
24 456	. . . . .	RM 169 532 040,22	
1 074 020	were bought	„ 3 257 333 549,31	(RM 2 399 228 587,43)
1 098 476	. . . . .	RM 3 426 865 589,53	
1 071 067	negotiated	„ 2 883 210 067,33	(„ 2 288 756 763,48)
so that 27 409	of a value of	RM 543 655 522,20	

remained on December 31 1925.

d) Total Purchases of Bills and Cheques

The total for all bills and cheques purchased during the year under report is as follows:

Inland bills and cheques	RM 17 278 036 336,33
Foreign bills and cheques	„ 3 257 333 549,31
Golddiskontbank bills	„ 106 468 985,04
Total	RM 20 641 838 870,68
	(in 1924: RM 20 581 342 612,16)

474 428 cheques on Germany were purchased for RM 164 115 962,50 (in 1924: 1 040 481 cheques for RM 736 688 170,68). The profits on this business amounted to RM 357 486,91.

e) Bills and Cheques not redeemed when due

The following bills and cheques were returned to the seller during 1925 owing to failure to redeem, or were settled by intervention:

		1924:			1924:
Town bills and cheques	89 433	(51 418)	for RM	72 246 909,—	(RM 94 554 654,—)
Country bills and cheques for collection	555 412	(249 314)	„ „	327 862 757,—	(„ 278 922 907,—)
Total	644 845			RM 400 109 666,—	

These bills and cheques represent the following percentages of the total number presented for collection:

	of the number	of the value
Town bills and cheques	3,60 %	1,35 %
Country bills and cheques for collection .	6,51 %	2,61 %
Total	5,86 %	2,23 %
1924:	(5,29 %)	(2,60 %)
1913:	(4,37 %)	(0,72 %)

The documents returned to the sellers or regulated by intervention included the following cheques:

		1924:				1924:
Town cheques	167	(810)	for RM	61 996,—	(RM	684 704)
Country cheques for collection	2 951	(12 275)	„ „	1 021 405,—	(„	24 788 450)
Total	3 118	(13 085)	for RM	1 083 401,—	(RM	25 473 154)

Collection of Customers' Orders

Customers' orders amounting to 281 315 in number (in 1924: 283 821) and for a value of RM 3 142 056 611,69 (in 1924: RM 3 715 597 902,24) on banking and other places were collected at all our branches.

Fees to the amount of RM 361 967,27 were charged therefor.

The average amount of the orders worked out at RM 11 169,—.

Collection of Reparation Vouchers and Co-operation in Connection with the Payment of the Export Duty

The Reichsbank assumed responsibility for the collection of the Reparation vouchers and drafts from the Agent General for Reparation Payments and for transmitting the proceeds to the persons handing in the vouchers.

The figures are as follows:

1924:	1 650	Reparation vouchers for RM	75 167 844,93
1925	2 296	„ „ „ „	338 239 522,36
	2 621	Reparation drafts „ „	121 126 524,46

The amounts directly assigned by the Agent General for Reparation Payments for certain definite deliveries in kind (for example transport transactions) and the other business transacted for the Agent General in virtue of the Bank Law are not included in the above amounts.

In accordance with an agreement concluded between the German and British Governments in regard to a lump-sum settlement of the Reparation Duty collected on German imports into England under the German Reparation (Recovery) Act of 1921, the German circles interested in exports to England undertook to cede 30 per cent of the Devisen derived from their export trade to the Reichsbank. The Reichsbank in return placed sterling at the Bank of England at the disposal of the Agent General for Reparation Payments in exchange for Reichsmarks; and these sterling funds were assigned to England in virtue of the Recovery Act and in conformity with the various arrangements for the distribution of Germany's Reparation payments.

Loans against Collateral

The following loans against collateral (Lombards) were accorded:

			1924:
on January 1 1925	RM	16 960 200,—	
34 669 new loans	„	4 128 170 900,—	(RM 2 714 241 400,—)
	RM	4 145 131 100,—	
31 024 loans repaid	„	4 134 844 928,—	(„ 2 965 607 000,—)
leaving on December 31 1925 .	RM	10 286 172,—	

The number of collateral certificates (Pfandscheine) was

		1924:
on January 1 1925	559 certificates	
to which were added	1 069 „	(2 478)
making	1 628 certificates	
of which there were paid off	597 „	(5 082)
leaving as at December 31 1925 . . .	1 031 certificates	

Profits on Loan business amounted to RM 2 331 067,31.

The collateral in the case of the loans outstanding at the end of the year was as follows:

		1924:
Gold and silver	RM 400,—	(RM 9 300,—)
Securities	„ 1 445 400,—	(„ 1 199 800,—)
Bills	„ 8 454 272,—	(„ 13 338 200,—)
Goods	„ 386 100,—	(„ 2 412 900,—)
Long-term bonds of the Reich	„ —	(„ —)

Reichsbank Rate

The Bank rates of interest were

from 1 January to 25 February 1925: 10 % for Discounts and
12 % „ Loans
from 26 February to 31 December 1925: 9 % „ Discounts and
11 % „ Loans

making an average for the whole year of 9,153 per cent for Discounts and 11,153 per cent for Loans.

Doubtful Claims

The Balance sheet shows RM 14 994 384,90 of claims fallen due but unpaid at the date December 31 1925. (The corresponding figure for the end of 1924 was RM 4 198 995,43.)

Securities owned by the Reichsbank

The Bank's own holdings of securities (including dollar Treasury Bonds of the Reich taken over by it) amounted on December 31 1925 to RM 230 870 242,— (as compared with RM 172 342 937,87 at the end of 1924).

Profits on the same were RM 46 375,22.

Transactions in Connection with Capital Issues

The Reichsbank was occupied as paying agent with the service of the 7 per cent German External Loan issued in 1924. In this capacity it took part in the collection of the coupons of all the issues of this Loan denominated in pounds sterling.

Under the Law for the Liquidation of Public Loans of July 16 1925, and the various Executory Provisions and Decrees issued in connection with it, the Reichsbank is the office to which all applications from within and without Germany have to be addressed for the exchange (commutation) of old mark loans of the Reich, and such loans of the Federal States as are declared commutable under the Law. As such it has to receive the stock of the old loans as collected by the intermediary offices, together with the applications for commutation, to check the same, and to issue certificates of the checking to the authorities dealing with the „old" holders (Anleihealtbesitzstellen). It is further the duty of the Reichsbank to pass on the stock of the old loans to the Reichsschuldenverwaltung, and keep account of the same with the latter; further, to distribute the stock of the new Loan Liquidation Debt and the Drawing Certificates to the intermediary offices. The work of the Reichsbank in this connection began on October 5 1925, and is likely to continue until well into 1926.

Credit Balances with Foreign Correspondents

Credit balances with correspondents of the Bank were

on January 1 1925	RM	1 133 197 172,09
Remittances	„	9 068 454 483,10
	RM	10 201 651 655,19
of which there were collected	„	9 724 304 081,07
leaving on December 31 1925	RM	477 347 574,12

Holdings of Foreign Bank Notes

At the close of the year the Reichsbank held foreign bank notes to the value of RM 1 478 823,63, as compared with RM 3 248 473,54 at the beginning of the year.

The turnover of foreign bank notes totalled RM 495,6 millions (see Annex I): it was mostly in respect of francs received and issued in the Branch offices in the Saar. In the course of the year RM 62 millions of foreign notes which had come into the Bank (as compared with RM 179 millions in 1924) were sent abroad for collection.

Debt of the Reich to the Reichsbank

The claim of the Reichsbank on the Reich under the Agreement between the two (see Report for 1924 page 12) is shown in the Balance sheet as RM 145 591 990,86.

Postponed Claim on the Rentenbank

As the payment of the sum owing to the Reichsbank under § 11, 4 of the Rentenbank Liquidation Law (Reichsgesetzblatt 1924 II page 252) is postponed under an agreement concluded between the Reich, the Rentenbank and the Reichsbank until such time as the transfers to the Sinking Fund are completed, the amount accumulated by the end of the year covered by the Report, viz. RM 36 921 813,15, is shown in the Balance sheet as „Postponed Claim on the Rentenbank".

Reichsbank Notes in Circulation

The circulation of Reichsbank notes according to the Weekly Returns was

on December 31 1924 RM 1 941 444 000
on December 31 1925 „ 2 960 443 000

the lowest figure reached being RM 1 550 015 000 on January 23 1925, and the highest being that at the end of the year. The movements of the circulation from week to week are shown in Annex VI.

RM 8 221 089,05 were expended on the preparation of new Reichsbank notes (in 1924: RM 7 372 325,28).

In accordance with the proposals of the Dawes Plan and in fulfilment of the obligation undertaken in accordance with the Dawes Plan in the Bank Law of August 30 1924 (§ 3), the entire fiduciary circulation outstanding at the date of the issue of the Bank Law was called in by a Notification of the Reichsbankdirektorium of March 5 1925 (Reichsanzeiger No. 54 of March 5 1925): the exchange was effected in accordance with the provisions of the Law at the rate of 1 billion (million million) marks of the former currency to RM 1 of the new notes. The notes called in have lost their status of legal currency as from June 5 1925. Since the end of November 1925 the notes of earlier currencies, which have not yet been presented for exchange, have ceased to be shown in the total figures of the circulation.

An analysis of the note circulation shows the following position.

In circulation on	(in millions of RM)						
	RM 1000	RM 100	RM 50	RM 20	RM 10	under RM 10	Total circulation in millions of RM
31 December 1924	—	277,3	403,4	520,0	545,0	195,7	1 941,4
31 „ 1925	88,8	460,8	681,8	1 041,4	687,6	—	2 960,4

The note cover prescribed in § 28 of the Bank Law was

on 31 December 1924 . 39,1 % (gold) 52,2 % (gold and Devisen)
on 31 „ 1925 . 40,8 % („) 54,4 % („ „ „)

The lowest point reached by the figures of the note cover was on May 30 1925 (38,9 per cent and 51,9 per cent respectively) and the highest on March 23 1925 (53,4 per cent and 71,2 per cent respectively).

The growth in the circulation of all forms of currency in Germany during the year 1925 is shown by the following table (amounts in millions of RM):

There were in circulation

	Reichs-bank notes	Notes of private banks	Renten-bank notes	Small coin	Total
on December 31 1924	1941	114	1835	383	4273
„ January 31 1925 .	1901	132	1780	396	4209
„ February 28 1925	2106	141	1736	408	4391
„ March 31 1925 . .	2315	148	1611	418	4492
„ April 30 1925 . . .	2452	153	1480	431	4516
„ May 30 1925 . .	2609	172	1551	453	4785
„ June 30 1925 . . .	2474	179	1672	472	4797
„ July 31 1925 . . .	2530	185	1701	492	4908
„ August 31 1925. .	2595	186	1713	510	5004
„ September 30 1925	2649	189	1713	529	5080
„ October 31 1925 .	2803	190	1543	547	5083
„ November 30 1925	2771	191	1480	562	5004
„ December 31 1925	2960	190	1476	582	5208

Deposits (Fremde Gelder)
a) Total Giro Business

For the growth in the Reichsbank's holding of deposits see the item ‚Sonstige täglich fällige Verbindlichkeiten" (Other day-to-day commitments) indicated in the table of Weekly Returns — Annex VI —.

The Giro turnover, details of which are given below, was distributed as follows over the individual calendar months of the year 1925: the incomings and outgoings on Giro account were:

	(in millions of RM)
in January 1925	39 615,0
„ February 1925	37 173,6
„ March 1925	37 918,6
„ April 1925	38 125,7
„ May 1925	37 789,5
„ June 1925	37 119,7
„ July 1925	40 622,0
„ August 1925	38 757,8
„ September 1925	40 214,2
„ October 1925	43 708,4
„ November 1925	40 625,5
„ December 1925	40 708,8
Total	472 378,8

The Giro credit balances were
on January 1 1925 . . . . . RM 632 010 253,18

The incomings on Giro account being as follows:

				1924:
Cash payments	RM 19 383 153 919,35			
Customer accounts .	„ 67 769 217 302,92			
Local transfers	„ 93 164 331 973,82			
Transfers from Branch offices . . .	„ 55 844 659 829,14	„	236 161 363 025,23	(RM 216 863 481 638,76)
	Total:	RM	236 793 373 278,41	

The outgoings were

Cash payments	RM 22 706 223 592,15			
Customer accounts .	„ 67 925 598 812,60			
Local transfers	„ 93 164 331 973,82			
Transfers to Branch offices . . .	„ 52 421 281 233,81	„	236 217 435 612,38	(„ 216 635 245 367,69)
	leaving	RM	575 937 666,03	

as the balance outstanding on December 31 1925.

In the Giro business of the year 1925 the following were the numbers of

	Cr.	Dr.	1924: Cr.	1924: Dr.
Cash payments	1 999 993	2 169 809	(2 649 812)	(3 108 644)
Customer accounts . . .	3 877 438	4 121 127	(5 110 626)	(4 066 253)
Local transfers	7 177 452	5 563 925	(6 908 885)	(5 824 119)
Transfers from and to branch offices	6 200 349	5 821 430	(6 036 536)	(5 521 037)
Total:	19 255 232	17 676 291	(20 705 859)	(18 520 053)

The cover, which has to be held under § 35 of the Bank Law for day-to-day commitments, amounted on December 31 1924 to 191,7 per cent, and on December 31 1925 to 82,8 per cent.

b) Transactions on account of the Reich and Federal States

The receipts and payments in Giro business for the account of the Reich and Federal States amounted to:

		1924:
for the Reich . . .	RM 107 892 251 580,84	(RM 93 800 622 592,12)
for the Federal States	„ 36 113 897 918,30	(„ 33 083 467 635,40)
Total	RM 144 006 149 499,14	(RM 126 884 090 227,52)

The credit balance for these accounts amounted as at December 31 1925 to RM 232 170 798,09 (At the end of 1924 to RM 365 713 206,67).

c) Giro Transfers

For 1925 the following amounts were received from non-holders of accounts on behalf of Giro customers in other places

			1924:
in cash	RM	3 355 698 182,52	(RM 4 321 440 760,22)
plus transfers between Giro customers at different branches	„	52 421 281 233,81	(„ 40 482 063 099,04)
Total of transfers between various branches	RM	55 776 979 416,33	(RM 44 803 503 859,26)

			1924:
Brought forward	RM	55 776 979 416,33	(RM 44 803 503 859,26)
Plus balance as at January 1 1925 .	„	188 731 978,15	
Total	RM	55 965 711 394,48	
Of this sum were credited in 1925 .	„	55 844 659 829,14	(RM 44 715 810 455,89)
leaving a balance of	RM	121 051 565,34	

which is included in item 8 of the Bank's liabilities (see Annex III, Balance sheet).

d) Number of Giro Accounts

The number of Giro account holders at the end of the year was

		1924:
at the Reichsbank Head Office . . .	2 814	(2 867)
at the Reichsbank branches	43 195	(43 513)
together	46 009	(46 380)

e) Orders to pay on other Branches and Bank Drafts

Orders to pay addressed to other Branches were transmitted for the purpose to the number of:

779 orders totalling RM 7 134 045,23 (in 1924: RM 11 621 199,19)

Bank charges to the amount of RM 1 394,05 were collected for these services.

The issue of Bank drafts by one branch office to another was discontinued from February 2 1925, the demand for such having ceased owing to the increased use of certified Reichsbank cheques.

Clearing Offices (Abrechnungsstellen)

The total sums cleared at the 54 Clearing Offices in 1925 amounted to RM 50 926 317 000,—.

The number of drafts etc. cleared was 28 455 843 and the average amount of each was RM 1 790,—.

The number of institutions associated in the Clearing Offices at the end of the year was 697 (including the Reichsbank's branches concerned).

Country Cheque Clearing Office (Scheckaustauschstelle)

The cheques presented at the Country Cheque Clearing Office in Berlin in 1925 amounted to RM 81 372 500,—.

The number cleared was 319 450, and the average amount of each was RM 255,—.

The number of institutions associated in the Cheque Clearing Office at the end of the year was 20.

Rentenbank Loan

The loan of RM 800 millions taken up from the Rentenbank in the first quarter of 1924 was paid off in full in the course of the year covered by the Report in accordance with § 11 of the Law for the Liquidation of the Rentenbank Notes in Circulation of August 30 1924 (Reichsgesetzblatt II page 252). The debt in question, which on December 31 1924 amounted to RM 456,5 millions, was paid by transferring agricultural bills from the portfolio of the Reichsbank to the Rentenbank.

Rentenmark Sinking Fund

The Rentenmark Sinking Fund established at the Reichsbank in virtue of § 6 of the Rentenbank Liquidation Law of August 30 1924, to which the Reich at the close of the preceding year transferred RM 13,3 millions, received a further transfer from the Reich of RM 46,7 millions in satisfaction of the obligations devolving on the Reich under § 7 b of the Law in question. In addition, the share of the Reich under § 7 c in

the profits of the Reichsbank for the year 1924, to a total of RM 55,6 millions, was also paid into the Fund. The interest payments to the Rentenbank by the owners of the land subjected to the agricultural mortgage brought in RM 87,4 millions in the year covered by the Report, of which RM 25 millions were set aside in accordance with § 9 of the Law in question and placed at the disposal of the Rentenbankkreditanstalt (Rentenbank Credit Institution), with the result that the Rentenmark Sinking Fund received RM 62,4 millions. The Fund further received RM 193,4 millions out of the proceeds of the Rentenbank credits specified in § 11 of the Liquidation Law.

These sums were devoted in the prescribed manner to the destruction of Rentenbank notes. In all RM 371 406 384,— of such notes were redeemed during the year covered by the Report.

Deposited Securities

Of deposits of securities with the Bank

there were on January 1 1925	172 286	deposits of securities	1924:
there were added in the course of 1925	28 314	" " "	(16 377)
	200 600	deposits of securities	
there were withdrawn	31 623	" " "	(82 696)
leaving on December 31 1925	168 977	deposits of securities.	

The number of the different forms of securities on December 31 1925 was 4529. Interest and profits on the same to the amount of RM 4 338 380,74 were collected in the course of the year.

Bank charges for deposit of these securities and for the sale and purchase of the same in 1925 amounted to RM 533 212,73.

Trustee Deposits of Securities

Of trustee securities deposited with the Bank, that is to say securities belonging to the estate of a ward and subject to the control of the Court of Chancery (Vormundschaftsgericht) in accordance with § 1814 of the Civil Code (Bürgerliches Gesetzbuch)

there were at the various branches of the Reichsbank on January 1 1925	2 666	deposits of securities
there were added in the course of 1925 deposits to the number of	53	" " "
	2 719	deposits of securities
there were withdrawn	811	" " "
leaving on December 31 1925	1 908	deposits of securities

Bank charges for deposit of these securities were collected to the amount of RM 2 109,05.

Securities for Safe Keeping

Of securities kept in safes with the Bank

there were on January 1 1925	1 321	deposits of securities
there were added	344	" " "
	1 665	deposits of securities
withdrawn	472	" " "
leaving	1 193	deposits of securities

Bank charges RM 16 651,53.

Premises

The value of the premises of the Bank is shown in the Balance Sheet unchanged as RM 30 000 000.

Rents received totalled RM 874 518,48.

Costs of Administration

		1924:
Total costs of administration were . .	RM 85 940 688,78	(RM 86 723 508,81)
of which there were recovered (see Figure 8a of the calculation of profits in the Profit and Loss account Annex II)	„ 1 293 532,82	(„ 1 157 438,52)
making the effective total	RM 84 647 155,96	(RM 85 566 070,29)

Total Profits

The gross profits for 1925 work out according to Annex II at RM 181 millions, as opposed to RM 307,1 millions in the previous year. The decline in the figures is explained by the lower rates for money in the first place and by the abolition of bank charges in Giro transactions, and secondly by the fact that the profits for 1924 were swollen by the proceeds on a considerable scale of the sale of precious metals, representing income of a non-recurrent character. Another factor which helps to account for the decline is the fact that in the year covered by the Report the Reichsbank had to pay interest to the amount of RM 43,8 millions to State Departments for bills rediscounted by the latter. The profits on Discounts and Loans together contributed RM 161,6 millions to the gross profits of the year, and Bank charges about RM 9 millions.

The expenditure for 1925 totals RM 138,3 millions. Of this amount, 85,9 millions were for costs of administration (see above) and 49,2 millions for necessary reserves etc.

RM 42,7 millions thus remain as net profit. It is proposed to distribute this amount as follows in accordance with § 37 of the Bank Law: 20 per cent (RM 8,5 millions) to the statutory reserve, and RM 12,2 millions to the Reich, the latter sum being used in accordance with § 7 of the Rentenbank Liquidation Law of August 30 1924 for the redemption of Rentenbank notes in circulation. There are thus left RM 22 millions for the share-holders. Of this sum, RM 12 278 810 go to pay a dividend of 10 per cent on the original capital as in the preceding year, while the balance of RM 9,7 millions is assigned to the special reserve for which provision is made in § 37 of the Bank Law with a view to future dividends.

Balance Sheet

The Balance Sheet has been drawn up in accordance with the provisions of § 36 of the Bank Law and § 9 of the Statutes of the Bank. See Annex III.

Legal Reserve Fund

The Legal Reserve on December 31 1924 was	RM 25 403 219,28
to which 20 per cent of the net profits for 1925 have to be added in accordance with § 37 of the Bank Law, viz.	„ 8 548 486,38
leaving on December 31 1925	RM 33 951 705,66

Other Reserve Funds

The „del credere" fund (provision against future emergency losses) is increased from RM 27 millions to RM 50 millions by a transfer of RM 23 millions out of the gross profits of the year covered by the Report.

The Reserve to make provision for the printing of new notes, which at the beginning of the year amounted to RM 10 millions, has been brought up to RM 15 millions by a transfer of RM 13,2 millions out of the gross profits, RM 8,2 millions having already been used for the preparation of notes.

Of the Building Reserve of RM 10 millions formed in the preceding year RM 8 millions were used in the year covered by the Report. RM 13 millions were set aside for this fund, bringing it up to RM 15 millions.

The Special Reserve Fund for future payments of dividends has been increased from RM 33,4 to RM 43,1 millions by an addition of RM 9,7 millions.

Original Capital

As stated in the last Report, the original capital of the Bank was increased in January 1925 to RM 122 788 100,—.

Reichsbank Share-holders

The share-holders of the Bank were entered in the books of the Bank on December 31 1925 as follows:

10 139	Germans	with	1 010 363	shares of RM 100
1 357	foreigners	„	217 518	„ „ „ 100
11 496			1 227 881	

Staff

In spite of the increase of business during the year covered by the Report it was possible to reduce the numbers of officials, employees and workmen from 14 635 persons at the end of 1924 to 11 637 at the end of 1925. Of this total, the regular and temporary staff of officials at the end of 1925 was 8763, while the employees numbered 2092 and the workers (male and female) 782. The Head Office in Berlin employed 2846 officials, 399 employees and 608 workers out of the above total.

The above figures do not include the newly engaged auxiliary staff required for the work involved in the liquidation of public loans (Law of July 16 1925, see Reichsgesetzblatt I page 137).

Branches

The number of branches at the end of 1925 was as follows:

		1924:
Chief Offices	17	(17)
Offices	84	(80)
Sub-Offices with cash department	346	(349)
Sub-Offices without cash department	1	(1)
Goods Depositories	1	(1)
together	449	(448)

Sub-Offices with cash department were opened for the first time in
Neustadt (Holstein) . . . . on January 12
Emmendingen . . . . . Mai 15.

The Sub-Office in Neurode (Eulengebirge) was closed on November 7.

The Sub-Office in Kaiserslautern was made an Office on July 8: and the same change was made with the Sub-Offices in Zittau (on August 8), Trier (on October 8), and Reutlingen (on December 8). The Sub-Offices in Pirmasens and Zweibrücken were placed under the Office in Kaiserslautern: the Sub-Office in Bautzen was placed under the Office in Zittau: the Sub-Office in Traben-Trarbach under the Office in Trier: and the Sub-Offices in Rottweil, Schwenningen and Tuttlingen under the Office in Reutlingen.

The Sub-Offices in Colditz (Saxony) and Waldheim (Saxony), which have hitherto been under the Office in Chemnitz, have been placed under the Office in Leipzig (the change being made on February 10).

The following further Annexes are appended to the German text only:

List of all Offices of the Reichsbank (Annex IV),

List of members of the Reichsbank Direktorium, the General Council, the Central Committee, the District Committees and Assessors (Beigeordnete) (Annex V),

Table of all the Weekly Returns published during the year 1925 (Annex VI),

Short account of the transactions of the Reichsbank since its foundation (Annex VII).

Our colleague Geheimer Oberfinanzrat Schneider, having passed the age-limit, retired on August 10 1925 in accordance with § 6 of the Bank Law. He had been a Director of the Reichsbank since April 23 1909. We recall with gratitude his valuable services to the Bank.

The foregoing Report covers the fiftieth year of the Bank's existence. On January 1 1926 the Reichsbank could look back on half a century of work.

Reichsbankdirektorium

Dr. Hjalmar Schacht Kauffmann
v. Grimm Budczies Bernhard Seiffert Vocke
Friedrich Fuchs Schneider Dreyse

I. Transactions of the different Reichsbank Branche

Bank District	Giro transactions (including payments made by persons not having Giro accounts in favour of persons having such accounts) RM	Transactions in inland bills and cheques RM	Transactions in foreign bills and cheques and with foreign correspondents RM	Loans against collateral (Lombards) RM	Total RM
Aachen (Aix)	2 041 562 000	188 710 000	6 692 400	23 930 400	2 260 894 80
Allenstein	661 690 600	138 642 000	183 000	2 199 300	802 714 90
Altona (Elbe)	1 652 183 900	286 412 300	4 153 300	819 300	1 943 568 80
Augsburg	1 381 109 300	142 288 600	6 783 900	87 600	1 530 269 40
Bad Kreuznach	372 555 100	59 567 700	7 438 600	503 600	440 065 00
Barmen	2 561 319 000	359 875 500	43 203 100	144 114 600	3 108 512 20
Beuthen (Upper Silesia)	704 460 700	65 541 100	5 383 700	34 159 500	809 545 00
Bielefeld	1 604 556 600	197 212 400	13 305 900	49 783 600	1 864 858 50
Bochum	4 058 974 500	296 376 800	24 238 900	33 387 600	4 412 977 80
Bonn	1 037 460 700	166 572 600	12 158 800	1 951 300	1 218 143 40
Brandenburg (Havel)	918 311 400	136 412 100	13 772 900	8 056 400	1 076 552 80
Brunswick	1 663 756 200	222 862 700	13 237 900	5 502 400	1 905 359 20
Bremen	6 173 924 000	493 069 800	39 856 300	32 844 300	6 739 694 40
Breslau	7 153 410 700	604 876 600	16 403 900	32 032 900	7 806 724 10
Cassel	3 053 703 100	300 186 900	14 706 400	31 701 600	3 400 298 00
Charlottenburg	1 883 620 600	221 695 500	12 192 600	1 548 400	2 119 057 10
Chemnitz	3 490 994 400	387 200 100	87 902 500	8 401 500	3 974 498 50
Coblence	2 111 711 900	195 112 400	8 204 000	12 864 000	2 327 892 30
Cottbus	993 719 800	129 422 200	5 948 200	8 821 000	1 137 911 20
Crefeld	1 976 206 100	276 490 900	5 410 700	23 499 600	2 281 607 30
Darmstadt	1 599 080 600	94 282 900	16 376 500	9 339 000	1 719 079 00
Dessau	1 238 515 100	135 738 400	13 292 600	6 876 400	1 394 422 50
Dortmund	4 956 299 400	494 472 100	28 767 600	36 610 600	5 516 149 70
Dresden	9 693 176 100	781 694 500	71 933 300	7 773 500	10 554 577 40
Duisburg	4 349 511 000	515 047 100	8 324 600	24 976 200	4 897 858 90
Düsseldorf	8 172 209 900	642 261 900	17 681 500	46 008 500	8 878 161 80
Eisenach	1 147 394 900	206 567 900	67 172 100	30 207 200	1 451 342 10
Elberfeld	2 480 747 300	381 233 500	54 204 300	27 700 700	2 943 885 80
Elbing	730 535 900	119 375 800	3 259 600	4 576 800	857 748 10
Emden	554 162 800	72 948 600	3 098 100	2 836 100	633 045 60
Erfurt	3 679 691 000	376 407 500	37 776 600	34 094 800	4 127 969 90
Essen (Ruhr)	12 406 202 900	678 270 600	158 124 600	128 906 100	13 371 504 20
Flensburg	956 514 400	153 473 100	4 011 100	11 779 700	1 125 778 30
Frankfurt (Main)	14 441 152 200	1 046 956 100	387 480 800	314 520 100	16 190 109 20
Frankfurt (Oder)	947 360 700	90 028 200	2 918 800	845 500	1 041 153 20
Freiburg (Breisgau)	1 728 216 900	309 205 000	42 503 200	36 756 500	2 116 681 60
Fulda	468 401 700	86 077 400	8 682 100	7 878 200	571 039 40
Gelsenkirchen (Westphalia)	2 832 814 600	208 452 400	1 189 900	23 274 100	3 065 731 00
Gera	1 910 692 500	206 830 100	55 569 900	25 885 700	2 198 978 20
Giessen	708 398 700	92 692 200	10 771 700	7 648 900	819 511 50
Glatz	216 046 500	31 190 300	2 246 700	3 419 300	252 902 80
Gleiwitz	1 093 663 000	136 254 800	4 642 200	36 481 100	1 271 041 10
Glogau (Silesia)	969 757 500	168 414 500	6 312 200	22 117 800	1 166 602 00
Görlitz	980 027 100	143 309 900	10 200 800	15 287 700	1 148 825 50
Göttingen	651 460 500	102 814 200	6 914 700	7 870 900	769 060 30
Hagen (Westphalia)	2 049 624 400	287 147 700	59 139 800	12 410 300	2 408 322 20
Halberstadt	1 101 884 900	190 465 000	16 315 300	13 379 000	1 322 044 20
Halle (Saale)	5 581 177 400	562 044 700	28 858 700	48 002 900	6 220 083 70
Hamburg	18 569 419 400	1 009 484 900	1 001 868 100	185 892 000	20 766 664 40
Hamm (Westphalia)	1 265 894 800	228 402 000	27 344 100	1 227 000	1 522 867 90
Hannover	7 324 194 800	669 917 900	36 436 400	48 215 400	8 078 764 50
Hildesheim	1 237 261 500	182 047 800	10 795 600	33 274 300	1 463 379 20
Husum	489 243 000	204 481 200	522 700	1 212 400	695 459 30
Insterburg	750 894 400	191 537 500	978 000	862 800	944 272 70
Carried forward	162 776 858 400	15 668 055 900	2 546 891 200	1 674 356 400	182 666 161 90

Transactions of the different Reichsbank Branches

(Continuation)

Bank District	Giro transactions (including payments made by persons not having Giro accounts in favour of persons having such accounts RM	Transactions in inland bills and cheques RM	Transactions in foreign bills and cheques and with foreign correspondents RM	Loans against collateral (Lombards) RM	Total RM
Brought forward	162 776 858 400	15 668 055 900	2 546 891 200	1 674 356 400	182 666 161 900
Kaiserslautern (from July 8 1925)	319 773 000	81 921 000	1 045 500	5 450 100	408 189 600
Karlsruhe	6 257 812 300	587 747 200	35 909 700	38 158 500	6 919 627 700
Kiel	2 743 976 000	213 181 200	16 417 500	21 226 600	2 994 891 300
Cologne (Rhine)	16 838 708 600	1 096 104 800	276 900 200	190 167 900	18 401 881 500
Königsberg (Prussia)	3 705 417 900	391 083 500	1 971 100	46 496 100	4 144 968 600
Köslin	688 562 500	143 666 200	740 900	711 700	833 681 300
Landsberg (Warthe)	1 093 713 500	145 390 900	2 071 600	7 014 000	1 248 190 000
Leipzig	6 324 657 100	632 472 600	89 004 100	85 421 800	7 131 555 600
Liegnitz	1 048 165 700	129 619 700	11 285 100	20 951 400	1 210 021 900
Lipstadt	913 879 300	80 743 600	7 337 900	2 672 600	1 004 633 400
Lübeck	1 320 713 200	187 295 700	5 175 800	14 237 900	1 527 422 600
Ludwigshafen (Rhine)	2 628 613 200	350 436 400	9 872 500	21 809 400	3 010 731 500
Magdeburg	4 343 768 000	416 408 800	20 233 000	31 561 500	4 811 971 300
Mainz	2 092 561 900	238 316 700	3 379 100	42 855 600	2 377 113 300
Mannheim	9 515 153 000	654 082 000	522 310 000	162 447 500	10 853 992 500
Minden (Westphalia)	631 324 700	100 681 500	4 542 100	539 900	737 088 200
Mülheim (Ruhr)	2 566 801 500	406 153 200	76 792 000	21 481 800	3 071 228 500
München	10 655 030 900	820 273 300	10 935 700	135 081 600	11 621 321 500
M. Gladbach	1 257 519 600	182 459 800	3 784 000	8 924 900	1 452 688 300
Münster (Westphalia)	4 265 233 600	355 853 500	5 005 900	15 924 600	4 642 017 600
Nordhausen	664 241 600	92 846 700	6 344 000	6 513 000	769 945 300
Nuremberg	5 410 821 300	551 501 600	112 203 500	20 272 000	6 094 798 400
Oberhausen	836 748 900	74 925 500	4 914 900	366 200	916 955 500
Oppeln	1 507 400 500	112 178 800	2 574 400	13 421 300	1 635 575 000
Osnabrück	1 192 399 200	214 923 100	5 434 700	5 998 700	1 418 755 700
Pforzheim	658 117 300	114 823 800	59 394 000	20 538 600	852 873 700
Plauen (Vogtld.)	1 595 926 600	233 758 000	53 807 800	1 965 800	1 885 458 200
Ratisbon	939 005 300	150 758 100	5 399 700	—	1 095 163 100
Remscheid	1 227 616 500	157 823 100	38 873 400	4 980 200	1 429 293 200
Reutlingen (from December 8 1925)	49 567 400	7 859 900	1 758 800	594 700	59 780 800
Rostock	842 285 000	135 170 200	1 750 600	1 407 500	980 613 300
Saarbrücken	828 409 200	44 504 300	20 328 000	1 694 500	894 936 000
Schweidnitz	1 371 293 600	236 365 900	8 940 500	65 067 100	1 681 667 100
Schwerin (Meckl.)	1 109 609 600	107 794 200	3 201 200	457 800	1 221 062 800
Siegen	1 282 342 600	261 303 200	13 313 400	22 287 300	1 579 246 500
Stettin	4 519 770 200	425 695 900	11 783 400	23 939 300	4 981 188 800
Stolp (Pomerania)	443 552 000	92 586 900	906 200	3 673 800	540 718 900
Stralsund	639 155 000	129 341 300	1 681 400	6 888 700	777 066 400
Stuttgart	8 823 835 400	833 952 100	104 649 400	71 249 500	9 833 686 400
Tilsit	377 111 700	75 523 200	2 695 100	2 882 200	458 212 200
Trier (from October 8 1925)	160 153 700	12 052 200	216 000	3 530 300	175 952 200
Ulm (Danube)	1 652 148 300	249 434 400	24 582 700	46 877 100	1 973 042 500
Wiesbaden	1 457 696 100	124 547 700	10 368 700	3 689 100	1 596 301 600
Wilhelmshaven	459 600 700	66 307 800	234 000	4 644 300	530 786 800
Würzburg	1 790 913 700	260 009 900	22 583 900	14 626 400	2 088 133 900
Zittau (Saxony) (from Aug. 8 1925)	267 688 900	39 592 700	3 190 100	3 103 200	313 574 900
Zwickau (Saxony)	1 517 669 800	210 114 100	51 851 500	56 200	1 779 691 600
With Branch Offices	283 613 324 000	27 897 642 100	4 224 586 200	2 898 216 600	318 633 768 900
With Head Office	192 121 172 800	6 926 725 200	20 708 716 000	5 364 799 200	225 121 413 200
	475 734 496 800	34 824 367 300	24 933 302 200	8 263 015 800	
Transactions in gold					424 256 900
Transactions in foreign bank notes					495 562 500
Other transactions					29 844 114 900
Total					574 519 116 400

II. Profit and Loss Account for the Year 1925

			RM
	Income		
1.	Profits on bills and cheques payable at home and abroad		159 250 09
2.	Profits on loan transactions (Lombards)		2 331 06
3.	Commissions		9 005 01
4.	Interest on credit balances		5 783 22
5.	Profits on securities		46 37
6.	Returns from real estate of the Bank		874 51
7.	Profits resulting from purchase and sale of precious metals		75 20
8.	Miscellaneous		
	a) Expenses recovered	RM 1 293 532,82	
	b) Various	„ 2 345 117,56	3 638 65
			181 004 14
	Expenditure		
1.	Cost of administration		85 940 68
2.	Transfers		
	a) „Del credere" fund	RM 23 000 000,—	
	b) Reserve held for printing of new notes	„ 13 221 089,05	
	c) Reserve held for building purposes	„ 12 994 062,63	49 215 15
3.	Share of the Rentenbank in the profits obtained from the loan granted by it		3 105 87
			138 261 71

II. Profit and Loss Account for the Year 1925 (Continued)

			RM	Pf.
Accordingly income amounted to			181 004 149	01
Accordingly expenditure amounted to			138 261 717	07
The net profit for the year 1925 therefore was			42 742 431	94
In accordance with § 37 of the Bank Law it is proposed to distribute this profit as follows:				
20 % to the Legal Reserve Fund			8 548 486	38
leaving			34 193 945	56
Out of this sum the shareholders are first of all entitled to 8 % on RM 122 788 100		= RM 9 823 048,—		
Of the remainder, amounting to RM 24 370 897,56				
half goes to the Reich . .	RM 12 185 448,78			
half goes to the shareholders		„ 12 185 448,78		
The Reich therefore receives . which sum under § 7 c of the Law of August 30 1924 for the Liquidation of Rentenbank notes goes to the Rentenmark Sinking Fund.	RM 12 185 448,78			
The shareholders are entitled to		RM 22 008 496,78	34 193 945	56
Of the sum due to the shareholders amounting to . .		RM 22 008 496,78		
a dividend of 10 % (on RM 122 788 100) will be distributed		„ 12 278 810,—		
The remaining sum of		RM 9 729 686,78		

will be carried to the Special Reserve Fund for future payments of dividends.

ASSETS III. Balance Sheet of the Reichsbank

		RM	Pf.	RM
1.	Reichsbank shares not yet issued			177 211 900
2.	Gold, not pledged (gold bars, inland and foreign coins)			
	a) in the cash offices of the Bank	1 111 472 949	82	
	b) with foreign Central Banks of Issue	96 601 462	94	1 208 074 412
3.	Cash Balances:			
	a) Small coins	62 469 236	43	
	b) Rentenbank notes	133 041 451	—	
	c) Reichsbank notes	1 737 854 260	—	
	d) Notes of German Private Banks of Issue	11 323 980	—	1 944 688 927
4.	Credit balances in foreign currencies (of which the equivalent of RM 402 534 000 has been assigned as cover for the notes in circulation)			477 347 574
5.	Foreign notes			1 478 823
6.	Foreign bills and cheques			543 655 522
7.	Inland bills and cheques (including bills taken over from the Golddiskontbank)			1 353 436 563
	Inland bills negotiated RM 473 143 000			
8.	Silver			3 618 962
9.	Loans against collateral (Lombards) viz:			
	a) Loans against gold and silver (§ 21, 3a of the Bank Law)	400	—	
	b) Loans against securities (§ 21, 3b, c, d of the Bank Law)	1 445 400	—	
	c) Loans against bills (§ 21, 3e of the Bank Law)	8 454 272	—	
	d) Loans against goods (§ 21, 3f of the Bank Law)	386 100	—	
	e) Loans against long term obligations of the Reich, (§ 21, 3, paragraph 2 of the Bank Law)	—	—	10 286 172
10.	Securities in the possession of the Reichsbank (including Dollar Treasury Notes of the Reich)			230 870 242
11.	Doubtful claims			14 994 388
12.	Land and buildings			30 000 000
13.	Claims resulting from the settlement with the Reich			145 591 999
14.	Miscellaneous:			
	a) Bank notes no longer fit for circulation	156 430	—	
	b) Advances for building purposes	12 556 439	01	
	c) Other claims	115 091 354	84	127 804 223
	including: Credit balances with Postal Cheque Offices RM 31 317 248,48; Postponed claim on the German Rentenbank in virtue of § 11, 4 of the Law of August 30 1924 for the liquidation of Rentenbank notes in circulation „ 36 921 813,15			
				6 269 059 700

December 31st 1925 — LIABILITIES

			RM	Pf.	RM	Pf.
1.	Original capital					
	a) shares issued		122 788 100	—		
	b) shares not yet issued		177 211 900	—	300 000 000	—
2.	Legal Reserve Fund (including transfer under item 10 below)				33 951 705	66
3.	Reserve for pensions and half-pay liabilities				80 000 000	—
4.	„Del credere" fund (including RM 23 000 000 assigned out of the annual gross profits of the year 1925)				50 000 000	—
5.	Reserve					
	a) for printing of new notes: Balance on January 1 1925	RM 10 000 000,—				
	Of this sum there have been expended during the year 1925	„ 8 221 089,05				
		RM 1 778 910,95				
	added to reserve	„ 13 221 089,05	15 000 000	—		
	b) for building purposes: Balance on January 1 1925	RM 10 000 000,—				
	Of this sum there have been expended during the year 1925	„ 7 994 062,63				
		RM 2 005 937,37				
	added to reserve	„ 12 994 062,63	15 000 000	—	30 000 000	—
6.	Special reserve fund for future payments of dividends				33 403 600	34
7.	Total bank note issue				4 698 454 030	—
8.	Credit balances of Giro and current accounts				696 989 231	37
9.	Miscellaneous:					
	a) Interest on bills due in 1926		10 764 578	95		
	b) Dividends due but not yet paid		247 239	—		
	c) Rentenmark Sinking Fund		—	—		
	d) Dollar Treasury notes of the Reich, to be redeemed by the Reichsbank		234 072 770	40		
	e) Liabilities in foreign currencies		6 889 123	80		
	f) Other creditors		60 093 475	24	312 067 187	39
10.	Net profits for the year 1925		42 742 431	94		
	less 20% assigned to the Legal Reserve Fund		8 548 486	38	34 193 945	56
	Contingent liabilities resulting from negotiated inland bills: RM 473 143 000					
					6 269 059 700	32

(For annexes IV to VII see German Text)

DRUCKEREI DER REICHSBANK, BERLIN

I.I. 9.321 DOC. 188

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 22 1926.

THE TAX RECEIPTS OF THE REICH FOR MARCH 1926 AND THE FINANCIAL YEAR 1925-1926

(see Doc. N°.175)

The Deutscher Reichsanzeiger N°.90 publishes the statement of the Tax Receipts of the Reich for March 1926 and for the financial year 1925-1926. The following is the usual table showing the principal categories of taxes :

(millions of Reichsmarks)

	Estimated receipts		Actual receipts							
			Monthly average							
	Finan. year 1925-1926	Monthly av. 25/26	Finan. year 1924-1925	1st qtr. 1925-1926	2nd qtr. 1925-1926	3rd qtr. 1925-1926	4th qtr. 1925-1926	Feb. 1926	March 1926	From 1-4-25 to March 31 1926
Taxes on real and personal property										
Recurring	4851.0	404.3	473.8	451.7	405.8	403.0	350.2	315.2	267.2	4 832.5
Non-recurring	60.0	5.0	6.6	5.8	2.4	7.5	4.3	3.8	3.4	59.9
. Customs and Excise:										
Assigned	1735,0	144,6	119.0	140.1	170.7	146.8	159.6	138.4	161.7	1 851.4
Other	124.5	10.3	10.2	10.7	7.3	8.9	10.2	9.2	10.4	111.3
Miscellaneous.	-	-	0.6	0.1	0.1	0.1	0.1	0.1	0.2	1.0
Total :	6770.5	564.2	610.2	608.4	586.3	566.3	524.4	466.7	442.9	6 856.1

II. The receipts for March 1926 are 23.8 millions less than those for February, and the lowest recorded since February 1924 (RM.418 millions). This fall is attributable to the economic crisis and still more to reductions in taxation. Further reductions came into force on April 1 1926 (see Doc.182).

III. The estimated receipts of the Budget for the financial year 1925-1926 have been slightly exceeded (by RM.85.6 millions). This surplus is entirely due to the Customs and assigned taxes, which show a surplus of RM.116.4 millions over and above the estimates (7 per cent approximately). The recurrent taxes on income, sales etc. show a deficit of 18.5 million RM. The non-assigned excises show a deficit of 13.2 millions.

The following table shows a gradual shifting in the distribution of the burden of taxation during the financial year 1925-1926. That part of the total receipts which is represented by the recurrent taxes on income, sales , transport, etc. has progressively decreased, while the assigned taxes have almost steadily increased.

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	Estimated receipts 1925-1926	Actual receipts: Finan. year 1924-1925	Finan. year 1925-1926	1st quarter 1925-1926	2nd quarter 1925-1926	3rd quarter 1925-1926	4th quarter 1925-1926
	(in percentages of the total receipts)						
urrent taxes income, sales, nsport, etc.	72	78	70	74	69	71	67
toms and igned taxes	26	19	27	23	29	26	30

These results are partly to be explained by the reductions of taxation during the financial year.

IV. The following table shows the receipts from the recurring taxes on income, sales, transport, etc.

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(in millions of Reichsmarks)

	Estimated receipts		Actual receipts							
			Monthly average							
	Finan. year 1925-1926	Monthly av. 25-26	Fin. year 1924-1925	1st qtr. 1925-1926	2nd qtr. 1925-1926	3rd qtr. 1925-1926	4th qtr. 1925-1926	Feb. 1926	March 1926	From 1-4-25 to March 31 1926
Income Tax:										
a) on wages			111.0	131.7	118.2	117.3	88.5	81.5	78.6	1 367.2
b) on income from capital			1.6	13.1	5.2	3.5	5.6	2.8	7.0	82.4
c) on other forms of income			71.8	63.8	63.2	66.6	74.2	47.3	29.6	803.4
Together	2170.0	180.8	184.4	208.6	186.6	187.4	168.3	131.6	115.2	2 253.0
Corporation Tax	180.0	15.0	26.2	18.2	13.0	15.3	15.6	8.3	5.2	186.5
Tax on Real & Personal Property	350.0	29.2	41.6	22.4	5.5	28.5	33.8	63.5	26.0	270.4
Turn-over Tax:										
a) ordinary	1320.0	110.0	149.9	123.6	126.3	112.0	84.3	70.0	70.4	1 338.3
b) extraordinary (luxury)	110.0	9.2	9.9	9.2	7.4	5.2	4.1	3.6	3.0	77.7
Tax on Bourse transactions	43.0	3.6	9.4	4.9	4.1	1.9	2.5	2.4	3.0	40.3
Transport Tax	325.0	27.1	26.0	27.1	31.0	28.1	19.9	16.3	19.0	318.1
Other taxes	353.0	29.4	26.4	37.7	31.9	24.6	21.7	19.5	25.4	348.2
Totals	4851.0	404.3	473.8	451.7	405.8	403.0	350.2	315.2	267.2	4,832.5

The receipts for March 1926 represent the lowest level reached, as far as these taxes are concerned, since December 1923. They are 37.1 millions less than in December 1925 (the corresponding month of the preceding quarter).

The receipts from the Tax on Wages in March are 2.9 millions less than in February. This is only a reduction on paper, as the receipts were collected in March on the wages paid between February 21 and March 20 (24 working days), whereas the February receipts had been collected on the wages paid between January 21 and February 20 (27 working days).

In March no provisional payment in respect of "Other Taxes" on Income or in respect of Corporation Tax, fell due.

The Ordinary Turn-over Tax in March (on transactions in February was about the same as in February (transactions in January). The Tax on Bourse Transactions is increasing considerably. The increase in "Other Taxes" is due to the increase in the receipts from the Tax on Automobiles (+ 1.3 million), the Companies Tax (+ 1.5 million), Lotteries Tax (+ 1.8 million) and Betting Tax (+ 0.5 million).

Rebates of excess taxation collected during the previous financial year under the Transitional Tax Law (Steuerüberleitungsgesetz) amounted to :

	In March 1926	From April 1 1925 To March 31 1926
	(in thousands of RM)	
Taxes on "Other forms of Income"	523.6	4 970.0
Corporation Tax	771.5	5 142.7

V. The differences between the actual receipts for the financial year and the estimated receipts are as follows (the deficit on the total receipts being 18.5 million RM):

	Increases (+) (in millions of RM)	In percentage of the estimates	Decreases (-) in millions of RM)	In percentage of the estimates
Income Tax	+ 83.0	3.8 %		
Corporation Tax	+ 6.5	3.6 %		
Tax on Real and Personal Property			- 79.6	22.7 %
Turn-over Tax 1) Ordinary	+ 18.3	1.4 %		
2) Luxury			- 32.3	29.4 %
Tax on Bourse transactions			- 2.7	6.3 %
Transport Tax			- 6.9	2.1 %
Other taxes			- 4.8	1.4 %
Totals	+ 107.8		-126.3	

For the most part, the difference between the receipts actually collected and the estimated receipts is small, except in the case of the Taxes on Real and Personal Property and the Luxury Tax. In regard to the former, two anticipatory payments have been suppressed and respite of payment has been accorded in certain cases, while in regard to the latter reductions in the rates came into operation in the course of the financial year. The Luxury Tax is moreover suppressed as from April 1 (Doc.182).

VI. The following table shows the receipts from Customs and from the assigned Taxes on Beer, Tobacco etc.

The receipts from these taxes for March are considerably greater than those for February (RM.23.3 millions). The receipts from the Tobacco Tax have considerably increased, as a result of the payments of the supplementary tax (Nachsteuer) and the tax on the raw material (Materialsteuer) falling due - RM.11 millions and 2.6 millions - respectively. The receipts from the Sugar Tax have also increased as a result of the instalments falling due on Sunday February 28 (carried forward to March 1). The receipts from the Alcohol Monopoly in March include the profits realised during the commercial year 1924/1925 by the Alcohol Monopoly Administration.

...

(millions of Reichsmarks)

	Estimated receipts		Actual receipts							
			Monthly average							
	Finan. year 1925-1926	Monthly av. 1925-1926	Fin. year 1924-1925	1st qtr. 1925-1926	2nd qtr. 1925-1926	3rd qtr. 1925-1926	4th qtr. 1925-1926	Feb. 1926	March 192	From 1-4-25 to 31-3-1926
ustoms	500.0	41.7	29.7	37.2	49.3	54.6	55.6	42.2	48.6	590.4
obacco Tax	580.0	48.3	42.8	50.7	57.4	48.1	49.0	45.6	50.5	615.8
ugar Tax	245.0	20.4	18.3	20.3	28.1	10.5	19.9	18.6	25.3	236.2
eer Tax	260.0	21.7	16.4	21.7	26.3	18.6	18.7	18.1	18.0	255.9
lcohol Monopoly	150.0	12.5	11.8	10.2	9.6	15.0	16.4	13.9	19.3	153.1
Total	1735.0	144.6	119.0	140.1	170.7	146.8	159.6	138.4	161.7	1851.4

VII. The increase in the receipts collected during the financial year over the estimated receipts (RM.116 millions) is made up as follows :

	Increases (+) (in millions of RM)	In percentages of the estimated receipts	Decreases (-) in millions of RM)	In percentages of the estimated receipts
Customs	+ 90.4	18 %		
Tobacco Tax	+ 35.8	6 %		
Sugar Tax			- 8.8	4 %
Beer Tax			- 4.1	1.6 %
Alcohol Monopoly	+ 3.1	2 %		

The increases in the receipts collected compared with the preceding financial year are very considerable, especially in the case of Customs Dues :

	(in millions of RM)	Increase
Customs	+ 233.9	66 per cent
Tobacco Tax	+ 102.1	20 per cent
Sugar Tax	+ 17.1	8 per cent
Beer Tax	+ 59.4	30 per cent
Alcohol Monopoly	+ 11.6	8 per cent
Total	+ 424.1	

The considerable increase in Customs receipts is due on the one hand to the increase in the value of imports during the first half of the financial year compared with the preceding financial year, and on the other hand to the increase in the Customs Dues on October 1 1925 (1).

The figure for imports was particularly high during the three months immediately preceding the application of the new tariff.

Further, as is known, the Customs Dues are payable when the goods are examined and released from the Customs House, but respite of payment of 3 months may be accorded. In practice,

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(1) The increases in Customs Dues came into force on August 16 1925 in the case of Tobacco, September 1 in the case of cereals, cattle and meat, and October 1 in the case of all other goods with the exception of wines to which the new Customs régime is applicable as from October 16 1925.

about 60 per cent of the Dues are paid after 3 months, with the result that a certain divergence is observed between the movement of imports and the yield of the corresponding Customs Dues. The following table indicates the variations in imports (values) for each month and those in the receipts from Customs Dues collected 3 months later :

	Imports (value in millions of RM)			Customs receipts (millions of RM)		
	1924	1925	1926	Financial year 1924	Financial year 1925	
January	562.2	1273.5	707.3	20.7	38.7	April
February	725.8	1067.9	661.7	22.6	35.7	May
March	688.6	1026.7		22.0	37.2	June
April	800.6	1005.0		27.2	57.9	July
May	886.9	992.0		20.4	40.0	August
June	734.3	1000.7		23.7	50.1	September
July	734.5	1150.7		27.3	60.9	October
August	437.2	1176.9		30.2	53.1	November
September	618.5	1052.3		36.1	49.9	December
October	847.4	1072.9		52.1	76.1	January
November	1034.2	855.5		35.9	42.2	February
December	1214.4	757.6		38.3	48.6	March

From the French
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I.I. 9.343 Doc. 189

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin April 27. 1926

POSITION OF THE GERMAN PUBLIC DEBT ON FEBRUARY 28. 1926

(cf. Doc. 181)

The attached Annex shows the Table of the German public debt on February 28. 1926[1] (cf. Wirtschaft und Statistik No.7)

Total of the debt on February 28.1926	RM. 2 333.9 millions
" " " " " January 31.1926	2 338.6 "
Reduction in February	4.7 "

The changes in the various items are slight.

The amount of Treasury Bonds has not varied.

The debt of the Reich to the Rentenbank is lower by RM. 2 216 184, representing the amount of the interest on the agricultural charge paid by the agriculturalists in February, in conformity with § 7a of the Law for the Liquidation of the Rentenbank notes.

(1) The amount of the Revalorisation debt is not included in the figures of the table.

The equivalent in RM. of the various tranches of the External Loan 1924 is less by RM. 2.5 millions as a result of amortisation of the dollar and sterling tranches.

From the French
Translated - RB
Checked - RB
Translation File No. 2995.

DEBT OF THE REICH

(in millions of RM. (1))

	January 31. 1926	February 28 1926
I. TREASURY BONDS		
Paper marks	0.0	0.0
6 % repayable 1935	19.2	19.2
6 % " 1932	1.2	1.2
K Bonds	1.0	1.0
E Bonds	87.1	87.1
	108.5	108.5
II. DEBTS TO BANKS		
Rentenbank	1 002.6	1 000.3
Reichsbank	217.4	217.4
	1 220.0	1 217.8
III. EXTERNAL LOAN		
110 million dollars	437.1	435.6
21.68 " £ sterling	433.9	433.1
25.2 " Swedish crowns	27.8	27.8
100 " lire	16.6	16.5
15 " Swiss francs	11.9	11.9
	927.3	924.8
IV. OTHER DEBTS		
Obligations to pay	18.6	18.6
Guarantees	52.2	52.1
Agricultural credits (Melioration)	12.0	12.0
	82.8	82.8
GRAND TOTAL	2 338.6	2 333.9

(1) Differences in the totals are due to rounding off of the figures.

From the French
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Translation File No. 2995.

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LIST OF THE DOCUMENTS ISSUED BY THE ECONOMIC SERVICE.

TRANSFER COMMITTEE

ECONOMIC SERVICE

~~189~~	~~April 27, 1926~~	~~Position of the German Public Debt on February 28, 1926.~~
190	April 27, 1926	The movement of funds at the Reichshauptkasse during the month of March 1926, and the financial year 1925-26.
191	May 12, 1926	Second Decree of May 7, 1926, concerning the reimbursement of the Reparation duty collected by the French Government.
192	May 15, 1926	The Balance Sheet of the Rentenbank as on April 30, 1926.
193	May 18, 1926	Tax receipts of the Reich for the month of April 1926.
194	May 29, 1926	Position of the Public Debt of the Reich as at March 31, 1926.
195	June 8, 1926	Revenue and expenditure of the Reich in April 1926.
196	June 14, 1926	The Finances of the Reich. Modifications in the Tax on Automobiles and the Tax on Cigarettes.
197	June 16, 1926	The Balance Sheet of the Rentenbank as on May 31,1926.
198	June 18, 1926	Finances of the Reich. Revenue from taxation for May 1926.
199	June 23, 1926	Finances of the Reich. State of the Public Debt on April 30, 1926.
200	July 8, 1926	Finances of the Reich. Receipts and payments of the Reich for the first two months of the financial year 1926-27.
201	July 10, 1926	Finances of the Reich. Position of the Public Debt as at May 31, 1926.
202	July 15, 1926	The Balance Sheet of the Rentenbank.
203	July 23, 1926	Finances of the Reich. Revenue from taxation for June 1926.
204	Aug. 24, 1926	Finances of the Reich. Receipts and payments of the Reich for the first quarter of the financial year 1926-27.
205	Aug. 26, 1926	The Balance Sheet of the Rentenbank as at July 31, 1926.
206	Aug. 27, 1926	Finances of the Reich. Tax receipts for the month of July 1926.

207	Sept. 2, 1926	Finances of the Reich. Receipts and payments of the Reich in July 1926.
208	Sept. 3, 1926	Insurance in Germany against export credit risks with financial support from the Reich.
209	Sept. 13, 1926	Finances of the Reich. Position of the Public Debt as at June 30, and July 31, 1926.
210	Sept. 13, 1926	The Balance Sheet of the Rentenbank as at August 31, 1926.
211	Sept. 17, 1926	Finances of the Reich. Tax receipts for August 1926.
212	Oct. 4, 1926	Finances of the Reich. Receipts and payments of the Reich in August 1926.
213	Oct. 9, 1926	Finances of the Reich. Position of the Public Debt of the Reich as at August 31, 1926.
214	Oct. 16, 1926	Finances of the Reich. Tax receipts for the month of September 1926.
215	Oct. 9, 1926	The Balance Sheet of the Rentenbank as on September 30, 1926.
216	Nov. 10, 1926	Finances of the Reich. Receipts and payments of the Reich in September 1926.
217	Nov. 15, 1926	The Balance Sheet of the Rentenbank, October 31, 1926.
218	Nov. 16, 1926	Finances of the Reich. Tax receipts for the month of October 1926.
219	Nov. 17, 1926	Finances of the Reich. Position of the Public Debt of the Reich as at September 30, 1926.
220	Dec. 6, 1926	Finances of the Reich. Receipts and payments of the Reich in October 1926.
221	Dec. 10, 1926	Finances of the Reich. Position of the Public Debt as at October 31, 1926.
222	Dec. 13, 1926	Finances of the Reich. Statements of the Finance Minister of the Reich on the budget situation and prospects of a loan.
223	Dec. 20, 1926	Finances of the Reich. Tax receipts for the month of November 1926.
224	Dec. 21, 1926	Public finance. Exceptional grants for Christmas.
225	Jan. 4, 1927	The Berlin Chamber of Commerce on the economic year 1926.

226	Jan. 5, 1927	Finances of the Reich. State of the Public Debt on November 30, 1926.
227	Jan. 10, 1927	The Balance Sheet of the Rentenbank as at November 30, 1926.
228	Jan. 15, 1927	The Balance Sheet of the Rentenbank as at December 31, 1926.
229	Jan. 14, 1927	Finances of the Reich. Receipts and payments of the Reich in November 1926.
230	Jan. 18, 1927	Finances of the Reich. Tax receipts for the month of December 1926.
231	Jan. 30, 1927	Jurisdiction and activities of the advisory office for foreign loans.
232	Feb. 9, 1927	Finances of the Reich. Receipts and payments of the Reich in December 1926.
233	Feb. 1, 1927	The production of the contributions in respect of reparations.
234	Feb. 17, 1927	The Balance Sheet of the Rentenbank as at January 31, 1927.
235	Feb. 9, 1927	Finances of the Reich. Public Debt as at December 31, 1926.
236	Feb. 22, 1927	Finances of the Reich. Speech by the Finance Minister of the Reich on the budget for 1927 and the financial position, made in the Reichstag, February 16, 1927.
237	Feb. 21, 1927	Finances of the Reich. Tax receipts of the Reich for the month of February 1927.
238	Feb. 22, 1927	Finances of the Reich. Résumé of the speech by the Finance Minister of the Reich on the budget for 1927 and the financial position, made in the Reichstag, February 16, 1927.
239	Feb. 24, 1927	Finances of the Reich. Résumé of the second speech of the Finance Minister on the financial situation.
240	March 9, 1927	Finances of the Reich. Simplified tax collection and extended jurisdiction of the Finanzämter (Revenue Offices).
241	March 9, 1927	The Balance Sheet of the Rentenbank as as February 28, 1927.

242	March 10, 1927	Finances of the Reich. Public Debt as at January 31, 1927.
243	March 10, 1927	Finances of the Reich. Receipts and payments of the Reich in January 1927.
244	March 21, 1927	Finances of the Reich. Tax receipts of the Reich for the month of February 1927.
245 bis	March 30, 1927	Report of the Deutsche Golddiskontbank for 1926.
245	March 22, 1927	Annual Report of the Reichsbank for the year 1926.
246	March 28, 1927	Report of the Deutsche Bank for the year 1926.
247	April 5, 1927	Finances of the Reich. Receipts and payments of the Reich in February 1927.
248	April 6, 1927	Finances of the Reich. Public Debt as at February 28, 1927.
249	April 8, 1927	Report of the Deutsche Rentenbank for 1926.
250	April 8, 1927	Management and business report of the Deutsche Rentenbank-Kreditanstalt (Central bank of agriculture). Second business year 1926.
251	April 20, 1927	The balance sheet of the Rentenbank as at March 31, 1927.
252	April 23, 1927	Tax receipts of the Reich for March 1927 and for the financial year 1926-27.
253	May 9, 1927	Finances of the Reich. Receipts and payments of the Reich for March 1927 and for the financial year 1926-27.
254	May 20, 1927	The balance sheet of the Rentenbank as on April 30, 1927.
255	May 20, 1927	Tax receipts of the Reich for April 1927.
256	June 17, 1927	The balance sheet of the Rentenbank as at May 31,1927.
257	June 24, 1927	Tax receipts of the Reich for the month of May 1927.
258	June 24, 1927	Finances of the Reich. Receipts and payments of the Reich for April 1927.
259	July 5, 1927	Finances of the Reich. Receipts and payments of the Reich in May 1927.

I.I.9.322 Allied powers (1919-) Reparation commission.

DOC.190

Documents issued by the TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 27, 1926.

THE MOVEMENT OF FUNDS AT THE REICHSHAUPTKASSE DURING THE MONTH OF MARCH 1926 AND THE FINANCIAL YEAR 1925-26

(See Doc. 176)

I. For the month of March 1926 and in the course of the financial year 1925-1926 the receipts and payments of the Reichshauptkasse amounted to the following figures:

	March 1926	April 1925 to March 1926
	(millions of RM)	(1)
Receipts	451.6	7 178.3
Payments	690.3	7 641.0
Surplus of payments	238.8	462.7

1. RECEIPTS (1)

(millions of RM)

The receipts for March are composed of:

a) Receipts from taxation collected during the month		442.9
minus receipts from controlled revenues for the month not yet retransferred to the Reichshauptkasse	-	161.7
plus receipts from controlled revenues for February, retransferred to the Reichshauptkasse in March	+	138.4
Carried forward		419.6

(1) Differences in the totals are due to the rounding off of figures.

	(millions of RM)[1]
Brought forward	419.6
b) Administrative receipts collected during March	31.9
Total:	451.6

2. PAYMENTS

The payments are made up as follows:

a) General administrative payments (including payments in connection with the execution of the Peace Treaty)	488.4
b) Transfers of taxes to the States and Communes	165.8
c) Reparation payments	36.2
Total:	690.3

II. FLOATING DEBT AS AT MARCH 31, 1926

	February 28 1926	March 31 1926
	(millions of RM)	
1. Liabilities (Treasury Bonds issued in the United States etc.)	18.63	18.63
2. Guarantees (debt in Dutch florins)	52.13	52.22
Total:	70.76	70.85

III. The statement of the Reichshauptkasse is accompanied by the following explanations:

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(1) Differences in the totals are due to the rounding off of figures.

"The general administrative payments include RM 100 millions paid to the German Railway Company in exchange for the surrender of preference shares of the Company.(1)

The above table shows the provisional figures for the movement of funds at the Reichshauptkasse for the period April 1, 1925 to March 31, 1926. On the expenditure side it excludes not only the payments for the financial year 1925, effected during that period, but also payments effected during the period April 1, 1925 to August 31, 1925 on account of the financial year 1924, and lastly payments for which provision was made in the 1924 Budget but which could not be effected or booked until after the close of the financial year 1924 (August 31, 1925), that is to say during the financial year 1925 (for example, payments under the Liquidationsschädengesetz, purchase of preference shares of the German Railway Company, completion of structural work begun in 1924 etc...) These payments do not constitute a charge on the 1925 Budget but on the balances carried forward from the financial year 1924 to the financial year 1925. Consequently, the financial year 1925 closes as at March 31, 1926, with a cash deficit of approximately RM 463 millions, whereas from a budgetary point of view no deficit is anticipated, and the total payments to be charged to the balances carried forward from the financial year

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(1) This payment is included in a supplementary application for credits for the financial year 1925-26. The credits amounting to RM 221 millions were voted by the Reichsrat on April 22, and are at present before the Reichstag.

1924 to the financial year 1925 including the aforesaid RM 100 millions greater than the actual book deficit of RM 463 millions".

It may be concluded from the foregoing note that there is not likely to be a deficit for the financial year 1925-26, whereas it was feared that the increased expenditure on unemployment relief for the last four months of the year would exceed the surplus receipts (1). It must not be forgotten however that the budget as originally voted (without the subsequent application for supplementary credit indicated on page 3) is balanced by entering to receipts the sum of RM 276.9 millions drawn from the surplus for the financial year 1924-25.

(Signed) L. GAILLET BILLOTTEAU

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(1) According to the statements of tax receipts and of the Reichshauptkasse the surplus amounts to the following figure:

1. Tax receipts	RM.	85.6 millions
2. Administrative receipts		178.4 "
Total	RM	264.0 millions

RECEIPTS AND PAYMENTS OF THE REICHSHAUPTKASSE

SINCE APRIL 1, 1925.

(in millions of RM) (1)

RECEIPTS

	Receipts from Taxation	Administrative receipts	Total
April 1925	651.9	16.4	668.4
May "	618.3	11.4	629.7
June "	543.8	3.2	546.9
July "	689.5	3.1	692.7
August "	535.4	22.5	557.8
September "	509.6	29.5	539.1
October "	731.4	18.5	749.9
November "	504.2	56.9	561.2
December "	467.3	72.9	540.1
January 1926	655.9	50.3	706.2
February "	506.9	27.8	534.7
March "	419.6	31.9	451.6
Total:	6 833.9	344.4	7 178.3

(1) Difference in the totals are due to the rounding off of figures.

PAYMENTS

	General Administration	Transfers to States and Communes	Reparation Payments	Total
April 1925	415.7	234.0	-	649.7
May "	408.8	238.2	-	647.0
June "	362.1	224.1	-	586.3
July "	405.7	224.1	-	629.8
August "	360.7	243.1	-	603.8
September "	408.1	167.1	57.8	633.0
October "	465.5	197.5	45.6	708.6
November "	350.5	212.9	45.9	609.3
December "	368.6	171.9	40.4	581.0
January 1926	442.4	250.3	39.7	732.4
February "	323.1	212.6	34.1	569.8
March "	488.4	165.8	36.2	690.3
Total:	4 799.7	2 541.5	299.8	7 641.0

SURPLUS (+) or DEFICIT (-)

April 1925	+	18.6	October 1925	+	41.3
May "	-	17.3	November "	-	48.1
June "	-	39.3	December "	-	40.8
July "	+	62.9	January 1926	-	26.2
August "	-	46.0	February "	-	35.1
September "	-	93.9	March "	-	238.8
			Total:		462.7

From the French
Translated - JMP
Checked - BWS
Translation File No.2996.
EL.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 12, 1926.

SECOND DECREE OF MAY 7, 1926
CONCERNING THE REIMBURSEMENT OF THE REPARATION DUTY
COLLECTED BY THE FRENCH GOVERNMENT.

In virtue of Article 77 of the Constitution of the Reich, the following is hereby decreed in execution of the Law of August 30 1924 on the London Conference (Reichsgesetzblatt II, page 289):

§ 1

§§ 1, 3, 4 and 5 of the Decree of September 6 1924 concerning the reimbursement of the Reparation Duty collected by the British Government - Execution of the Law on the London Conference - (Deutscher Reichsanzeiger No.212 of September 8 1924) will apply mutatis mutandis to the Reparation Duty collected by the French Government in virtue of the French Law of April 21 1921 in conjunction with the French Decree of September 18 1924.

§ 2

The Reparation Duty collected in French currency from the person receiving the dutiable consignment will be reimbursed in the currency of the Reich.

The sum in francs will be converted

a) in the case of an invoice expressed in Reichsmarks, at the rate of conversion used by the French Government,

b) in the case of invoices not expressed in German or French currency, at the Paris Bourse rate of the day of the quotation used by the French Government for the calculation of the sum in francs,

c) in the case of an invoice expressed in French currency and in cases where the Reparation vouchers do not contain the particulars required for calculation under a) or b) above, at the Paris Bourse rate of the day on which the duty was paid to the French Customs Office.

If the Reichsmark was not quoted on the Paris Bourse on the material dates indicated in the preceding paragraph, the rate will be used of the immediately preceding Bourse day on which the Reichsmark was quoted on the Paris Bourse.

The Reichsmark rates on the Paris Bourse shall be held to be the Paris Bourse rates published in the Deutscher Reichsanzeiger.

§ 3

The Decree of October 8 1924 concerning the reimbursement of the Reparation Duty collected by the French Government - Execution of the Law on the London Conference - (Deutscher

Reichsanzeiger No.239 of October 9 1924) is hereby cancelled.

Berlin, May 7 1926.

The Finance Minister of the Reich

DR. REINHOLD.

From the German
Translated - BWS
Checked - JMP
Translation File No.3054

I.I.9.4140 DOC. 192

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 15, 1926.

THE BALANCE SHEET OF THE RENTENBANK AS ON APRIL 30, 1926.

(see Doc. No. 183)

The following is the comparison between the balance sheet of the Rentenbank as on April 30, 1926, and the balance sheet as on March 31, 1926.

	Balance sheet of April 30, 1926 (in Rentenmarks)	Difference as compared with that of March 31, 1926 (in Rentenmarks)
ASSETS		
arges upon German agriculture	2,000,000,000	-
ntenbriefe as on March 31,1926 Rent.M.1,699,844,000 April 30,1926 " " 1,699,844,000		
ans to the Reich	1,037,500,562.94	- 16,927,289.99
tstanding credits	547,899,162.85	- 38,990,559.15
lance in hand, giro accounts and stal cheque accounts and accounts th other banks	78,534,843.97	- 33,789,483.19
al property of the Bank	325,000	+ 25,000
fice furniture and supplies	47,594.54	+ 8,970.24
scellaneous assets	15,841,863.40	- 9,685,784.24
LIABILITIES		
pital	2,000,000,000	-
tenbank notes in circulation	1,556,440,322	- 16,927,291
emption of Rentenmarks in conformity h § 7c of the Law on the liquidation Rentenbank notes	67,793,963.46	-

Rentenbriefe in circulation	156,000	-
Credit of the Rentenbank-Kreditanstalt	122,871.67	- 25,416,662.84
Carried forward	36,160,115.60	-
Reserves	6,046,594.10	+ 6,594.10
Miscellaneous liabilities	425	- 60,000,325

During April 1926 the Rentenbank remitted to the Rentenbank-Kreditanstalt (in the form of drafts, credits for clearing land, securities, foreign exchange and specie) the Rent.M. sixty millions assigned to the Kreditanstalt out of the profits for the financial year 1925 and shown provisionally in the balance sheet for March under "Miscellaneous liabilities".

In conformity with § 7 a of the Law on the Liquidation of Rentenbank Notes, Rent.M. 1,927,289.99 were paid into the Sinking Fund at the Reichsbank, representing interest on the agricultural charge. In conformity with § 7 b (payments of the Reich), Rent.M. 15,000,000 were paid into the same account, representing the quarterly sum falling due on April 1. "Loans to the Reich" and "Rentenbank notes in circulation" show corresponding decreases.

Since the Law on the Liquidation of Rentenbank Notes came into operation, the following sums have been paid into the Sinking Fund:

Rent.M.	72,499,437.06	under	§ 7 a of the Law
"	90,000,000	"	§ 7 b "
"	67,793,963.46	"	§ 7 c "
"	293,444,861	"	§11 "

or a total of 523 738 261.52

From the French
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I.I.9.321 DOC. 193

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 18,1926

TAX RECEIPTS OF THE REICH FOR THE MONTH OF APRIL 1926

(See Doc. No. 188)

The following is the usual table showing the receipts (in millions of RM) from the principal categories of taxation for the month of April 1926 (Deutscher Reichsanzeiger No.111).

	Estimated receipts		Receipts collected			
	Fin.Yr 1926-27	Monthly average	Monthly average Fin.Yr. 1925-26	April 1925	March 1926	April 1926
I. Taxes on income, sales transport, etc.						
a) recurrent	4 476.0	373.0	402.7	493.4	267.2	425.2
b) non-recurrent	30.0	2.5	5.0	11.4	3.4	8.2
II. Customs & taxes on beer, tobacco etc.						
a) assigned	1 907.0	158.9	154.3	137.0	161.7	143.6
b) other	52.3	4.4	9.2	11.0	10.4	7.6
III. Miscellaneous	-	-	0.1	0.1	0.2	-
TOTAL	6 465.3	538.8	571.3	652.9	442.9	584.6

I. The receipts estimated in the Budget for the financial year 1926-1927 (RM 6 465.3 millions) are 305.2 millions less than the budget estimates for the preceding financial year (RM 6 770.5 millions) and 390.8 millions less than the receipts actually collected during that year. The decrease, which relates entirely to the taxes on income, sales, transport, etc. is due to the tax reductions recently granted.

The receipts for April 1926 are 141.7 millions higher than the receipts for March. The increase may be attributed to the falling due in April of anticipatory or quarterly payments of the taxes on income, sales, transport, etc.

The half-yearly term as at April 1 for the tax on revalorised bonds yielded RM 7.6 millions and thus explains the increase in non-recurrent taxes.

II. The following table shows the details of the receipts (in millions of RM) from the recurrent taxes on income, sales, transport etc.

	Estimated receipts		Receipts collected			
	Fin. Yr 1926-27	Monthly average	Monthly average Fin.Yr. 1925-26	April 1925	March 1926	April 1926
Income Tax						
a) on wages	-	-	113.9	126.1	78.6	79.5
b) on income from capital	-	-	6.9	13.9	7.0	15.6
c) on other forms of income	-	-	66.9	95.9	29.6	120.6
Together:	2 100.0	175.0	187.7	235.9	115.2	215.7
Corporation Tax	250.0	20.8	15.5	23.0	5.2	36.3
Tax on Real and Personal Property	400.0	33.3	22.5	20.0	26.0	14.3
Turnover Tax	974.0	81.2	111.5	137.0	70.4	99.6
Tax on Bourse Transactions	50.0	4.2	3.4	5.6	3.0	4.1
Transport Tax	325.0	27.1	26.5	25.9	19.0	28.1
Other Taxes	377.0	31.4	35.6	46.0	28.4	27.1
TOTAL	4 476.0	373.0	402.7	493.4	267.2	425.2

The total increase in the receipts for April as compared with March (RM 158.0 millions) is principally due to the taxes for which anticipatory or quarterly payments fell due : "Taxes on other forms of income" (+ 91.0 millions) Corporation Tax (+ 31.1 millions), and Turnover Tax (+ 29.2 millions).

The Tax on Wages shows an increase of RM 0.9 millions over the receipts for March. This fact should not be interpreted too favourably,since the April receipts were collected on the wages

for 26 working days (from March 21 to April 20), whereas the March receipts were collected on the wages for 24 working days (February 21 to March 20).

III. For April the refunds, under the "Steuerüberleitungsgesetz", of the amounts overpaid during the preceding year amounted to:

RM 224 605 for the Tax on Other forms of Income and
RM 136 692 for Corporation Tax.

The effect of the reduction in the Turnover Tax from 1 to 0.75 per cent. will be first apparent in the May receipts, since the April receipts were collected on March business. The volume of business computed on the basis of the proceeds of the tax, allowance being made for the modifications in the rate of the tax, shows an appreciable decrease for the first quarter of 1926.

Volume of business transactions per quarter
(in millions of RM)

	Year 1924	Percentage(1)	Year 1925	Percentage(1)	Year 1926	Percentage (1)
1st Quarter	15 121	100	25 112	166.1	23 299.0	158.7
2nd "	16 892	111.7	25 294	167.3		
3rd "	19 265	124.7	25 962	171.7		
4th "	24 722	163.5	29 202	193.1		

(1) Percentage of the first quarter of 1924.

IV. The following table shows the receipts from the assigned taxes:

(In millions of RM)

	Estimated receipts		Receipts collected			
	Fin. Yr. 1926-27	Monthly average	Monthly average Fin. Yr. 1925-26	April 1925	March 1926	April 1926
Customs	580.0	48.3	49.2	38.7	48.6	48.2
Tobacco Tax	655.0	54.6	51.3	49.0	50.5	43.8
Sugar Tax	265.0	22.1	19.7	20.6	25.3	16.3
Beer Tax	235.0	19.6	21.3	17.7	18.0	20.4
Alcohol Monopoly	172.0	14.3	12.8	11.0	19.3	14.9
TOTAL:	1907.0	158.9	154.3	137.0	161.7	143.6

The receipts from Customs Duties, the Beer Tax and the Alcohol Monopoly remained for April 1926 at practically the same level as the monthly average of the receipts for the financial year 1925-26. Considerable reductions are however noticeable in the case of the Tobacco and Sugar Taxes. The decrease in the former tax appears to be partly connected with the economic crisis.

M.H.

From the French
Translated - JMP
Checked - RB
Translation File No.3084.

I.I.9.343. DOC. 194.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 29, 1926.

POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT MARCH 31 1926.

(see Doc. No. 189.)

The attached table shows the public debt of the Reich as at March 31 1926[1] (see Wirtschaft und Statistik No. 9)

		Millions of RM.
I.	Total figure of the debt as at March 31 1926	2 318.0
	" " " " " " " February 28 1926	2 333.9
	Decrease during March 1926	15.9

This decrease is chiefly due to the redemption of the debt of the Reich to the Rentenbank to the extent of 13.7 million RM, as follows: 1.5 million RM representing interest paid by the owners of the mortgaged property and 12.2 million RM representing the quota of the Reich in the profits realised by the Reichsbank, paid into the Sinking Fund in virtue of § 7 c of the Law on the withdrawal of Rentenbank notes.

The amounts redeemed on the other items of the debt are insignificant, amounting to 0.02 million RM in the case of the Treasury

(1) The amount of the revalorised debt is not included in the table, owing to the fact that the exchange of old securities for securities of the new debt (Ablösungsschuld) has not yet been completed.

Bonds and 2.0 million RM in the case of the various "tranches" of the German External Loan 1924.

II. During the financial year 1925/26 the public debt of the Reich was redeemed to the extent of 454.7 million RM. If the figure for the German External Loan 1924 (15 million RM) is included, the amount redeemed was 469.7 million RM.

a) The debt in Treasury Bonds was reduced by 197.3 million RM, made up as follows : Redemption of "E" Bonds 164 million RM; Treasury Bills 30 millions; miscellaneous 3.3 million RM.

b) The debts to the Banks were redeemed to the extent of 207.4 million RM.

The debt to the Rentenbank was redeemed to the extent of 198.4 million RM. made up as follows :

Payments effected by the Reich (§ 7 b of the Law on the withdrawal of Rentenbank notes)	60.0 million RM
Payments effected by owners of mortgaged property (7 a of the same Law)	70.6 "
Payments effected by the Reich on its quota of the profits of the Reichsbank (1)	67.8 "
Total :	198.4 million RM.

(1) These payments are made up as follows :

a) quota of the profits of the financial year 1924: 55.6 million RM.

b) " " " " " " 1925: 12.2 "

The debt to the Reichsbank was redeemed to the extent of 9.1 million RM, the amount provided for in the budget of the Reich.

c) Commitments to pay (Treasury Bonds issued in America before that country came into the War) remain unchanged at the figure of 18.6 million RM.

The item "guarantees" shows a reduction of 53.0 million RM due chiefly to the repayment in June 1925 of the debt in Norwegian crowns (see Doc. 146).

The Loans to agriculture (Meliorationskredit) have increased from 9 to 12 millions during the financial year.

M.H.

From the French
Translated - CFH.
Checked - RB.
Translation File No. 3117.

PUBLIC DEBT OF THE REICH

(in millions of RM)(1)

	March 31 1925 (2)	February 28, 1926	March 31 1926	Amount redeemed during the financial year 1925-26.
I. Treasury Bonds.				
Paper marks	0.0	0.0	0.0	0.0
6 per cent redeemable in 1935	21.8	19.2	19.1	- 2.7
6 per cent redeemable in 1932	1.4	1.2	1.2	- 0.2
"K" Bonds	1.3	1.0	0.9	- 0.4
"E" Bonds	251.1	87.1	87.1	- 164.0
Treasury Bills	30.0	-	-	- 30.0
Total:	305.6	108.5	108.3	- 197.3
II. Debts to Banks.				
Rentenbank	1 185.0	1 000.3	986.6	- 198.4
Reichsbank	226.5	217.4	217.4	- 9.1
Total:	1 411.5	1 217.8	1 204.1	- 207.4
III. External Loan.				
110 million dollars	454.3	435.6	434.0	- 20.3
21.72 million pounds sterling (3)	425.8	433.1	432.7	+ 6.9
25.2 million Swedish crowns	28.3	27.8	27.7	- 0.6
100 million Lire	17.3	16.5	16.5	- 0.8
15 million Swiss francs	12.1	11.9	11.9	- 0.2
Total:	937.8	924.8	922.8	- 15.0

(1) Differences in the totals are due to the rounding off of figures.

(2) Treasury Bonds and Debts to Banks: figures adjusted in accordance with the Memo on the Loans of the Reich during 1925; other items: figures taken from Wirtschaft und Statistik.

(3) For the figures as at March 31 1925 excluding the German tranche (360 000 pounds sterling reduced in December 1925 to 320 000 pounds sterling) and including the value of this tranche for the other dates.

	March 31 1925 (1)	February 28, 1926	March 31 1926	Amount redeemed during the financial year 1925-26
IV. Other debts.				
Commitments	18.6	18.6	18.6	-
Guarantees	105.2	52.1	52.2	- 53.0
Loans to agriculture (Meliorationskredit)	9.0	12.0	12.0	+ 3.0
Total:	132.8	82.8	82.8	- 50.0
GRAND TOTAL:	2 787.7	2 333.9	2 318.0	- 469.7

(1) Treasury Bonds and Debts to Banks: figures adjusted in accordance with the Memo on the Loans of the Reich during 1925; other items: figures taken from Wirtschaft und Statistik.

From the French
Translated - CFH
Checked - RB
Translation File No.3117

TRANSFER COMMITTEE
ECONOMIC SERVICE

BERLIN, June 8, 1926.

REVENUE AND EXPENDITURE OF THE REICH IN APRIL 1926

(see DOC. 190)

In place of the "Movement of Funds at the Reichshauptkasse", which was published every month, the Finance Ministry of the Reich has introduced as from April 1926 (Reichsanzeiger No.126 of June 3 1926) a new method of showing the revenue and expenditure of the Reich. Under the new arrangement, notice of which was given to the Budget Committee by the Finance Minister on May 11 last, (1) revenue and expenditure are shown instead of Receipts and Payments. Further, a distinction is made between the revenue and expenditure for the current financial year and the revenue and expenditure coming into the accounts of the preceding financial year. The present arrangement also makes it possible to compare the actual revenue and expenditure with the budgetary estimates, which was not possible under the old system.

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(1) The Finance Minister stated that in place of the publication of the movement of funds "which could be made to serve no useful purpose", a statement of revenue would be published by his orders.

II. According to the table published by the Reichsanzeiger, the revenue and expenditure of the Reich in April 1926 reached the following figures :

	millions of RM
Revenue	612.652
Expenditure	689.369
Deficit	76.717

The details are as follows :

Financial Year 1926-1927.

REVENUE.

Ordinary Budget		
a) Revenue from taxation	584.569	
b) Administrative revenue	5.970	
Extraordinary Budget	.69	
	590.608	

EXPENDITURE

Ordinary Budget		
a) General Administration	368.280	
b) Transfers to the Federal States	207.240	
Extraordinary Budget	5.090	
Reparation Payments	28.992	
	609.602	
Deficit		18.994

Carried forward	18.994

Liquidation of the Financial Year 1925-26.

Revenue	22.044
Expenditure	79.767
Deficit	57.723
Total deficit	76.717

III. The revenue from taxation agrees with the figure for the yield of taxation in April, that is to say, it includes the yield of the assigned taxes, which is at present blocked, until the Commissioner for Controlled Revenues restores it to the Reich next month.(1)

The expenditure includes, among others, an item of RM 15 000 000 for interest and Sinking Fund on the debt (this is the payment due at the beginning of each quarter for the writing-off of the Rentenbank Loan), and one of RM 37 916 666 paid into the Sinking Fund of the revalorised debt.

(1) The statements of the "Movement of Funds" deducted the yield of the assigned taxes for the month, and added the yield for the preceding month.

Apart from these two items relating to the debt, the Treasury has had to meet (April 1 1926) liabilities falling due in respect of E Bonds, which according to the Memorandum on the Debt (Anleihe Denkschrift 1925, page 3) amounted to RM 39.612 millions. The statement does not mention this, although the Treasury must certainly have made in April most of the payments in respect of the bonds which had then matured.

IV. There is a considerable deficit for April. It is too early now to draw any conclusions as to the result of the financial year; most of the deficit is due to the winding up of the accounts for the financial year 1925.

The first month of each quarter is however a "full" month, which includes quarterly payments of Income Tax, Corporation Tax and Turnover Tax. These payments do not figure during the two following months, and they represent under "Revenue" a more considerable proportion of the total than the exepnditure in respect of debt amortisation which also appears at the beginning of the quarter only.

It will not be surprising therefore if larger deficits appear during the two following months, especially as the budget as adopted has recourse to surpluses of preceding years and loans to the extent of 661.6 million RM.

(Signed) L. GAILLET-BILLOTTEAU.

Translation 3160 (From French): transl. NL. checked RB.

I.I.9.3355
3372

DOC.196.

TRANSFER COMMITTEE
ECONOMIC SERVICE.

BERLIN, June 14 1926.

THE FINANCES OF THE REICH.

Modifications in the Tax on Automobiles and the Tax on Cigarettes.

(Cf. Doc. 107 and 132)

The Reichsgesetzblatt I, No. 27 publishes a Law dated May 15 1926 modifying the Tax on Automobiles, and a Decree dated May 18 1926 modifying the Tax on Cigarettes.

I. Tax on Automobiles.

a) As from June 15 1926, the rates of the Tax are modified as follows :

1) Motor-cycles (with the exception of low power motor-cycles)

Old rate		New rate	
No. of HP.	RM. per annum		RM. per annum
1.5 or less	10		
1.5 to 3	15	per 1/2 HP liable to the tax or fraction of 1/2 HP liable	10
3 to 3.5	20		
3.5 to 4	28		
4 and above	35		

2) Passenger automobiles, with the exception of omnibuses

Rate per HP. or fraction of HP. liable to the Tax.

Old rate	RM. per annum	New rate	RM. per annum
6 HP. or less	20	10 HP. or less	30
6 to 10 HP.	40	10 to 15 HP.	60
10 to 14 HP.	60	15 HP. and above	80
14 HP. and above	80		

3) Omnibuses, motor-lorries, with the exception of the vehicles indicated under 4) below, per exact weight of the vehicle in working order.

Rate per 500 Kg. weight (or fraction thereof)	RM.	Rate per 200 Kg. weight (or fraction thereof)	RM.
2 000 Kg. or less	30		
2 500 to 3 000 Kg.	20	2 000 Kg. or less	30
3 500 to 4 000 Kg.	10	2 000 Kg. and above	20
Total Tax above 4 000 Kg.	200		

4) For motor-lorries run by electricity or steam, and for simple lorries.

Rate per 500 Kg. exact weight	RM	Rate per 200 Kg. exact weight	RM
2 000 Kg. or less	15	2 000 Kg. or less	15
2 000 to 3 500 Kg.	10	2 000 Kg. and above	10
3 500 to 4 000 Kg.	5		
Total Tax above 4 000 Kg.	100		

For six months the Tax amounts to 60 per cent, and for two months to 25 per cent of the rates given above (old rate 2/3 and 1/3).

b) All the supplementary dues which the Federal States levied on automobiles for the upkeep of the roads are abolished as from April 1 1926. (1) These dues are replaced by a general increase (up to a maximum of 25 per cent) of the taxes, calculated on the basis of the rates given above. The amount of this increase will be fixed by the Government of the Reich in agreement with the Reichsrat and the Finance Committee of the Reichstag. Until March 31 1927 the rate is fixed at 25 per cent.

c) The proceeds from the tax on automobiles are transferred to the Federal States to the extent of 96 per cent of the total, 4 per cent being retained by the Reich to cover the cost of collection. The tax will be distributed over the Federal States in the following manner:

1/4 in proportion to the population of each Federal State:

1/4 " the yield from this tax for each Federal State;

1/2 " the area covered by each Federal State.

d) It is difficult to estimate exactly what increase in receipts may be expected from the raising of the rates.

(1) These dues will continue to be levied on horse-drawn vehicles.

The Explanatory Memorandum accompanying the Bill estimates the yield from the Tax upon application of the new rates at 112 million RM as against the 60 millions which the present rates bring in, which gives an increase of 52 million RM or approximately 90 per cent. The rates prescribed in the Bill have however not been accepted,(1) and the increase in receipts will in all probability be inferior to the above estimate.

II. Tax on Cigarettes.

1) The Law of August 10 1925 on the Tobacco Tax fixed a duty of 250 RM. per 100 kg. on the raw tobacco used for the manufacture of cigarettes (Materialsteuer) and a compensating tax of the same amount to be levied on goods of this nature imported. The Minister was authorised to modify the ratio between the tax on the raw material (Materialsteuer) and the tax on the consumption of cigarettes, after coming to an agreement with the Reichsrat and the Finance Committee of the Reichstag.

Upon the passing of the Law and by a Decree of August 11 1925 the tax on raw tobacco and the compensating tax were increased from 250 to 900 RM. per 100 kg. whilst the tax on consumption was at the same time reduced by one-half.

The new Decree on the taxing of cigarettes once more modifies the rates in force:

(1) The rates of the Bill have been reduced in the case of motor-cycles and passenger-automobiles.

a) The rates of the tax on consumption are increased 50 per cent (30 per cent instead of 20 per cent of the retail selling price).

Retail selling price (tax included)	TAX old rate	TAX new rate
	(RM per 1000 cigarettes)	
up to 0.005 per single cigarette	1	1.50
" 0.01	2	3
.....	...	...
0.15	30	45

b) The rate of the Materialsteuer and of the compensating tax is reduced from 900 RM to 400 RM. per 100 kg.

This Decree comes into force on June 1 1926.

2) This modification, which is intended to ensure a better distribution of the burden of taxation and to be of assistance to the tobacco industry, is not expected to have any noticeable effect on the total yield from the Tax.

Translation 3189 (from French): transl. CFH: checked CFH.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 16, 1926.

THE BALANCE SHEET OF THE RENTENBANK AS ON MAY 31, 1926.

(see Doc. N°.192)

The following is the comparison between the balance sheet of the Rentenbank as on May 31, 1926, and the balance sheet as on April 30, 1926.

	Balance sheet of May 31, 1926. (in R.M.)	Difference as compared with that of April 30,1926 (in R.M.)
ASSETS		
harge upon German agriculture	2,000,000,000.-	-
entenbriefe R.M. as on April 30,1926 1,699,844,000.- " " May 31,1926 1,699,844,000.-		
oans to the Reich	1,010,212,047.66	- 27,288,515.28
utstanding credits	547,899,162.85	-
alance in hand, giro accounts, ostal cheque accounts and accounts ith other banks	81,202,722.85	+ 2,667,878.88
eal property of the Bank	325,000.-	-
ffice furniture and supplies	52,027.19	+ 4,432.65
iscellaneous assets	15,841,834.05	- 29.35
LIABILITIES		
apital	2,000,000,000.-	-
entenbank notes in circulation	1,529,151,807.-	- 27,288,515.-
edemption of Rentenmarks in con-ormity with § 7c of the Law on the iquidation of Rentenbank notes	67,793,963.46	-

	Balance sheet of May 31, 1926 (in R.M.)	Difference as compared with that of April 30,1926. (in R.M.)
Rentenbriefe in circulation	156,000.-	-
Credit of the Rentenbank Credit Institution	-	- 122,871.67
Carried forward	36,160,115.60	-
Reserves	6,046,594.10	-
Miscellaneous liabilities	400,-	- 25.-

In accordance with paragraph 7a, of the Law relating to the Liquidation of the Rentenbank Notes, 27,288,515.28 Rentenmarks have been employed for the Redemption Fund at the Reichsbank. This sum represents interest paid by the owners of land subject to the public law mortgage; and there is a corresponding decrease in the items "Loan to the Reich" and "Rentenbank Notes in circulation".

Since the Law relating to the Liquidation of the Rentenbank Notes began to operate, the amount paid into the Sinking Fund has been :

under Paragraph 7 a	99,787,952.36	Rentenmarks
" " 7 b	90,000,000.-	"
" " 7 c	67,793,963.46	"
" " 11	293,444,861.-	"
Making a total of	551,026,776.80	"

Translation 3197 (from French)
Transl. UP
Checked RB.

MM

I.I. 9.321 DOC. 198.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 18, 1926.

FINANCES OF THE REICH.

REVENUE FROM TAXATION FOR MAY 1926.

(Cf. Doc. No.193)

I. The "Deutscher Reichsanzeiger" No. 137 publishes the revenue from taxation of the Reich for May 1926. Below will be found the usual table of revenue from the principal categories of taxation, (the revenues for February, the corresponding month for the preceding quarter, are given in order to enable a comparison to be made).

(In millions of RM.)

	ESTIMATED RECEIPTS.		ACTUAL RECEIPTS.			
	Financial year 1926-27.	Monthly average.	Financial year 1926-27, monthly average.	February 1926	April 1926	May 1926
I. Taxes on incomes, sales, transport, etc.						
(a) Recurring.....	4 476.0	373.0	402.7	315.2	425.2	270.5
(b) Non-recurring	30.0	2.5	5.0	3.8	8.2	3.6
II. Customs and taxes on tobacco, beer, etc						
(a) Assigned.....	1 907.0	158.9	154.3	138.4	143.6	153.8
(b) Other.....	52.3	4.4	9.2	9.2	7.6	7.5
III. Miscellaneous.....	-	-	0.1	0.1	-	-
TOTALS.....	6 465.3	538.8	571.3	466.7	584.6	435.4

The revenue for May is on the whole very poor. It falls short of the monthly average of revenue estimated in the budget for the financial year, by 103.4 millions, and is 149.2 millions less than the receipts for April. On the other hand the Assigned Customs and Taxes on tobacco, beer, etc. show an increase of 10.2 million RM over those of April.

II. As regards the revenue from the taxes on incomes, sales, transport, etc. the receipts for May cannot be compared with those for April, the latter having been largely increased by important provisional or quarterly payments (Income, Corporation and Turnover Taxes). It would be more correct to compare the receipts for May with those of February (the corresponding month for the preceding quarter). The revenue from the taxes on incomes, sales, transport, etc. for these two months is very much the same with the exception of the yield from the Tax on Real and Personal property, which in February (in consequence of the falling due of a provisional payment) exceeded those of May by 50.3 million RM.

III. The following table shows the revenue from the principal recurrent taxes on incomes, sales, transport, etc...

(In millions of RM.)

	ESTIMATED RECEIPTS.		ACTUAL RECEIPTS.			
	Financial year 1926-27.	Monthly average	Financial year 1925-26, monthly average.	February 1926	April 1926	May 1926
Income Tax: (a) On wages....	-	-	113.9	81.5	79.5	82.6
(b) On income from capital	-	-	6.9	2.8	15.6	9.8
(c) On other forms of income.....	-	-	66.9	47.3	120.6	38.1
Together	2 100.0	175.0	187.7	131.6	215.7	130.5
Corporation Tax..	250.0	20.8	15.5	8.3	36.3	11.1
Tax on Real and Personal Property	400.0	33.3	22.5	63.5	14.3	13.2
Turnover Tax.....	974.0	81.2	111.5	70.0	99.6	61.8
Tax on Bourse Transactions.....	50.0	4.2	3.4	2.4	4.1	3.7
Transport Tax....	325.0	27.1	26.5	16.3	28.1	21.7
Other taxes.....	377.0	31.4	35.6	23.1	27.1	28.5
Totals...	4 476.0	373.0	402.7	315.2	425.2	270.5

The receipts from the tax on wages in May are slightly in excess of those for the preceding month; the receipts for April and May have been collected on wages paid for 26 working days, those for February on 27 working days.

The receipts from "other taxes on income", the Corporation Tax and the Tax on Real and Personal Property are small in May as a result of the absence of any provisional payment. As is known, for the financial year 1926 the payment of the tax on fortunes in May has been suppressed by the law of March 31 1926 (see Doc. No.182).

The Turnover Tax in May shows a decrease of 37.8 millions as compared with April, during which latter month quarterly payments fell due, and a decrease of 8.2 millions as compared with February. But the receipts for May have been collected at a rate of 0.75 per cent on the Turnover for April (see Doc. 182), whereas those for February were collected at the rate of 1 per cent on the January turnover.

Taking in to account the difference in the rate, the returns for May show an increase of more than 17 per cent in the volume of transactions subject to the tax.

IV. The following table shows in detail the Assigned Taxes and Customs on tobacco, beer, etc:

(In millions of RM.)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS.			
	Financial year 1926-27.	Monthly average	Financial year 1925-26, monthly average.	February 1926.	April 1926.	May 1926.
Customs	580.0	48.3	49.2	42.2	48.2	54.8
Tobacco Tax	655.0	54.6	51.3	45.6	43.8	44.8
Sugar Tax	265.0	22.1	19.7	18.6	16.3	19.2
Beer Tax	235.0	19.6	21.3	19.1	20.4	21.2
Spirits Monopoly	172.0	14.3	12.8	13.9	14.9	13.8
TOTALS ...	1907.0	158.9	154.3	138.4	143.6	153.8

The increase in receipts in May as compared with April (10.2 million RM.) is largely due to the growth of the customs revenue (6.6 million RM.).

The revenue from the Tobacco Tax remains below that of the estimates. The tax on the raw materials, which did not fall due in May, has only realised 1.9 million RM. Larger returns from the Tobacco Tax are expected during the last months of the year 1926.

Translation 3214 (from French): translated UP: checked RB. MLG.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 23, 1926.

FINANCES OF THE REICH.

STATE OF THE PUBLIC DEBT ON APRIL 30 1926.

(Cf. Doc. 194)

A table showing the Public Debt of the Reich on April 30 1926 (1) is appended. (Cf. Wirtschaft und Statistik No. 11).

Sum total of the Debt on April 30 1926 :	2 259.6	million RM.
" " " " " " March 31 1926 :	2 318.0	" "
Decrease during April	58.4	" "

Amortisation has taken place in the case of the following items :

I. Treasury Bonds.- Amortisation of "E" Bonds amounting to 39.6 million RM. in consequence of a portion of these bonds falling due for repayment on April 1 1926.

II. Bank Loans.- Extinction of the debt to the Rentenbank to the amount of 16.9 million RM. divided as follows: interest totalling 1.9 million RM. paid by the concerns subject to the agricultural charge, and 15 million RM, being the quarterly instalment payable by the Reich (§§ 7a and 7b of the Law on the Liquidation of the Rentenbank Notes).

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(1) The amount of the revalorised debt is not included in the figures given in the table, the exchange of "old" holdings for holdings of the new Loan Liquidation Debt (Ablösungsschuld) being not yet completed.

III. German External Loan 1924.- The value in Reichsmarks of the dollar tranche decreases by 1.5 million RM; that of the sterling tranche by 0.4 million RM.

M. H.

MLG.

DEBT OF THE REICH.

(in millions of RM) (1)

	March 31 1926	April 30 1926
I. Treasury Bonds.		
Paper Marks	0.0	0.0
6 per cent repayable in 1935	19.1	19.0
6 per cent repayable in 1932	1.2	1.2
"K" Bonds	0.9	0.9
"E" Bonds	87.1	47.5
Total	108.3	68.6
II. Bank Loans.		
From the Rentenbank	986.6	969.7
From the Reichsbank	217.4	217.4
Total	1 204.1	1 187.1
III. German External Loan 1924		
110 million Dollars	434.0	432.5
21.68 " Pound sterling	432.7	432.3
25.2 " Swedish Crowns	27.7	27.7
100 " Lire	16.5	16.5
15 " Swiss Francs	11.9	11.9
Total	922.8	920.8
IV. Miscellaneous		
Obligations	18.6	18.6
Guaranties	52.2	52.4
Credits to agriculturists (Meliorationskredit)	12.0	12.0
Total	82.8	83.0
Totals	2 318.0	2 259.6

(1) Differences in the totals due to their being given in round figures.

Translation 3220 (from French): transl.UP: checked RB.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

Berlin, July 8 1926

FINANCES OF THE REICH.

THE RECEIPTS AND PAYMENTS OF THE REICH FOR THE FIRST TWO MONTHS OF THE FINANCIAL YEAR 1926-1927.

(cf. Doc. 195)

The attached Statement contains the receipts and payments of the Reich for the first two months of the financial year - April and May - published by the Ministry of Finance.

a) This statement has once again been modified in form. The receipts and payments of the Ordinary and Extraordinary Budgets are given in two separate tables, and it is stated that, in accordance with the statements made by the Finance Minister before the Reichstag Committee on June 28 1926, the expenditure of the Extraordinary Budget must be covered by a loan.

b) The surpluses of the financial years 1924 and 1925 amounting to 367.8 million RM., which figure under receipts in the 1926 Budget, are entered as receipts for each month for a maximum of 30.6 millions, i.e. 1/12th of the total.

c) Payments on account of Reparations are entered :

under expenditure in the Ordinary Budget in so far as the payment on account of the Transport Tax is concerned;

under expenditure in the Extraordinary Budget in so far as the Budget contribution is concerned. According to the

Experts' Plan, this Budget contribution for the second Reparations Year must be covered from the sale of shares of the German Railway. As the Reich has decided not to sell these shares, it has entered the Budget contribution under extraordinary expenditure, thus indicating its intention to meet this item out of the proceeds of a loan.

The sum of 29 million RM., entered under extraordinary expenditure, as representing payments on account of Reparations for the month of April, does not agree with the accounts of the Agent-General. According to information supplied at our request by the Finance Ministry, this sum is made up as follows :

a)	Budget contribution	19.996 million RM.
b)	Transport Tax (remainder)	4.832 "
c)	Budget contribution (remainder)	4.162 "

The sums given under b) and c) represent two entries which do not correspond to any actual payment. They are made up of the surplus payments made to the Agent-General during the first seven months of the second Reparation Year on the credits entered in the Budget of the financial year 1925-1926, which was closed on March 31, 1926. These amounts, which were paid in excess of the required amount, in respect of the Transport Tax and the Budget contribution during the financial year 1925-1926, are attached for accounting purposes to the expenditure of the financial year 1926-1927. In order to re-establish the cash account, an equivalent amount was added in April to the receipts of the liquidation account for the financial year 1925-1926 (22 million RM).

The departments of the Ministry of Finance point out that, owing to an accounting error, the 4.832 million RM. derived from the Transport Tax were entered as extraordinary expenditure for payments on account of Reparations (to be met from the proceeds of a loan), whereas they should have been entered as ordinary expenditure (to be met out of the ordinary receipts). This error will be amended in the future statements issued by the Ministry of Finance.

(signed) L. GAILLET-BILLOTTEAU.

Translation 3294 (from French): translated CFH: checked NL. EFD.

Annex

RECEIPTS AND PAYMENTS OF THE REICH

APRIL AND MAY 1926.

	April	May	Total
	(in millions of RM)		
A. ORDINARY BUDGET.			
Receipts			
a) from taxation	584.6	435.4	1 020.0
b) administrative revenue	6.0	46.7	52.7
Total :	590.6	482.1	1 072.7
Payments			
a) General administrative expenses	368.3	322.1	690.4
b) Payments to Reparations account	-	17.8 (1)	17.8
c) Transfers to the Federal States	207.2	150.2	357.4
Total:	575.5	490.1	1 065.6
Deficit on the books	-	8.0	-
Surplus on the books	15.1	-	7.1
Surpluses of the financial years 1924 and 1925, distributed by months	30.6	30.6	61.2
Budget surplus	45.7	22.6	68.3
B. EXTRAORDINARY BUDGET.			
Receipts	0.1	0.2	0.3
Payments			
a) General administrative expenses including war charges	5.1	42.6	47.7
b) Payments to Reparations account	29.0 (2)	19.9 (2)	48.9
Total:	34.1	62.5	96.6
of which represent net payments to be covered by loan	34.0	62.3	96.3

(1) Transport Tax
(2) Budget contribution

	April	May	Total
	(in millions of RM)		
C. RECEIPTS AND PAYMENTS FOR THE FINANCIAL YEAR 1925-1926.			
Receipts	22.0	11.7	33.7
Payments	79.7	86.4	166.1
D. POSITION OF THE FLOATING DEBT.	30 April 1926		30 May 1926
Liabilities to pay	18.6		18.6
Guarantees	52.4		52.3

Translation 3294 (from French): translated CFH: checked NL. EFD.

I.I.9.343 DOC. 201.

TRANSFER COMMITTEE

ECONOMIC SERVICE.

BERLIN, July 10, 1926.

FINANCES OF THE REICH.

POSITION OF THE PUBLIC DEBT AS AT MAY 31, 1926.

(See Doc. 199)

The attached table shows the public debt of the Reich as at May 31, 1926 (1) according to Wirtschaft und Statistik (No.12, page 398).

	Millions of RM.
Total figure of the Debt as at April 30, 1926	2 259.6
" " " " " as at May 31, 1926	2 230.9
Decrease during May 1926	28.7

This decrease is principally due to the extinction by RM 27.3 millions of the debt to the Rentenbank, the amount of interest paid by the owners of the mortgaged land.

The Reichsmark value of the various tranches of the External Loan has been reduced by RM 1.3 millions. In particular, the reduction in the value of the Italian tranche is to be attributed to the fall of that exchange.

(Signed) L.G.B.

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(1) The amount of the revalorised debt is not included in the figures given in the table, the exchange of old holdings for holdings of the new Loan Liquidation Debt (Ablösungsschuld) being not yet completed.

PUBLIC DEBT OF THE REICH
(in millions of RM) (1)

	April 30 1926	May 31 1926
I. TREASURY BONDS		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	19.0	19.0
6 per cent redeemable in 1932	1.2	1.2
"K" Bonds	0.9	0.9
"E" Bonds	47.5	47.5
Total	68.6	68.6
II. DEBTS TO BANKS		
Rentenbank	969.7	942.4
Reichsbank	217.4	217.4
Total	1 187.1	1 159.9
III. EXTERNAL LOAN		
110 million dollars	432.5	430.8
21.68 " pounds sterling	432.3	433.4
25.2 " Swedish crowns	27.7	27.9
100 " lire	16.5	15.4
15 " Swiss francs	11.9	12.0
Total	920.8	919.5
IV. OTHER DEBTS		
Commitments	18.6	18.6
Guarantees	52.4	52.3
Loan to agriculture (Meliorationskredit)	12.0	12.0
Total	83.0	83.0
GRAND TOTAL	2 259.6	2 230.9

(1) Differences in the totals are due to the rounding off of the figures.

Translation 3311 (from French): translated JMP: Checked NL.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 15, 1926.

THE BALANCE SHEET OF THE RENTENBANK

(see Doc. No. 197)

The following is the comparison between the balance sheet of the Rentenbank as on June 30, 1926, and the balance sheet as on May 31, 1926.

	Balance sheet of June 30,1926	Difference as compared with that of May 31, 1926.
	in Rent.M.	
ASSETS		
Charge upon German agriculture	2 000 000 000.--	
Rentenbriefe as on May 31, 1926 Rent.M. 1 699 844 000 " June 30, 1926 " 1 699 844 000		
Loan to the Reich	1 001 067 867.89	- 9 144 179.77
Outstanding credits	547 899 162.85	-
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	83 984 336.51	+ 2 781 613.66
Real property of the Bank	325 000.--	-
Office furniture and supplies	57 942.29	+ 5 915.10
Miscellaneous assets	15 864 334.05	+ 22 500.--
LIABILITIES		
Capital	2 000 000 000 .--	
Rentenbank notes in circulation	1 520 007 627.--	- 9 144 180.--

	Balance sheet of June 30, 1926	Difference as compared with that of May 31, 1926.
	in Rent.M.	
Redemption of Rentenmarks in conformity with § 7c of the Law on the Liquidation of Rentenbank notes ..	67 793 963.46	-
Rentenbriefe in circulation	156 000.--	-
Credit of the Rentenbank Credit Institution	-	-
Carried forward	36 160 115.60	-
Reserves	6 069 978.75	+ 23 384.65
Miscellaneous liabilities	3 675.90	+ 3 275.90

In conformity with § 7a of the Law on the Liquidation of Rentenbank notes, 9 144 179.77 Rentenmarks, representing interest paid by the owners of the mortgaged land, have been paid into the Sinking Fund at the Reichsbank. The items "Loan to the Reich" and "Rentenbank notes in circulation" therefore show a corresponding reduction.

Since the Law on the Liquidation of Rentenbank notes came into operation, the following sums have been paid into the Sinking Fund:

Rentenmarks:	108 932 132.11	under	§ 7a	of the Law
	90 000 000.--	"	7b	"
	67 793 963.46	"	7c	"
	293 444 861.--	"	11	"
or a total of Rentenmarks:	560 170 956.57			

Translation 3317 (From French) Trans. JMP. Checked NL.

I.I.9.321 DOC. 203

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 23, 1926.

FINANCES OF THE REICH

REVENUE FROM TAXATION FOR JUNE 1926.

(cf. Doc. No 193)

I. The Deutscher Reichsanzeiger No. 165 of July 19 1926 publishes the revenue from taxation of the Reich for June 1926. Below will be found the usual tables for the various categories of taxation (the revenue for March, the corresponding month of the preceding quarter, are given in order to enable a comparison to be made).

(In millions of RM)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS			
	Financial year 1926-1927	Monthly average	1st quarter financial year 1925-1926	1st quarter financial year 1926-1927	March 1926	May 1926
			monthly average			
I. Taxes on incomes, sales, transport, etc.						
(a) Recurring	4 476.0	373.0	451.7	319.7	267.2	263.3
(b) Non-recurring	30.0	2.5	5.8	4.7	3.4	2.4
II. Customs & taxes on tobacco, beer, etc.						
(a) Assigned	1 907.0	158.9	140.1	153.7	161.7	163.9
(b) Other	52.3	4.4	10.7	6.9	10.4	5.5
III. Miscellaneous	-	-	0.1	-	0.2	0.1
TOTALS	6 465.3	538.8	608.4	495.0	442.9	435.2

June, like the previous month, is a lean month; with the same number of working days as May, it gave almost the same revenue (435.2 as against 435.4). The small decrease of 7.7. million RM as compared with the corresponding month of the previous quarter - before the recent tax reductions were introduced - would seem to point to a slight improvement in revenue.

On considering the receipts for the quarter, we find that they fall considerably below the figure for an average quarter according to the estimates (1 455.3 as against 1 616.3). The deficit of 161 millions is partly due to the absence of returns from the Tax on Real and Personal Property, the yield of which is estimated at 400 million RM, but which has as yet given only 36.2 millions (the first instalment does not fall due until August). As, however, the effect of the reductions made as at April 1 is not fully felt until May, the arrears of revenue cannot be made good unless not only the Tax on Real and Personal Property, but the other direct taxes as well, produce in future considerable surpluses.

II. The following table shows the revenue from the taxes on incomes, sales, transport, etc.

(In millions of RM)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS			
	Financial year 1926-1927	Monthly Average	1st quarter financial year 1925-1926	1st quarter financial year 1926-1927	March 1926	June 1926
			monthly average			
Income Tax: (a) on wages	-	-	131.7	83.6	78.6	88.8
(b) on income from capital	-	-	13.1	13.5	7.0	15.0
(c) on other forms of income	-	-	63.8	59.6	29.6	20.2
Together	2 100.0	175.0	208.6	156.7	115.2	124.0
Corporation Tax	250.0	20.8	18.2	18.1	5.2	7.0
Tax on Real & Personal Property	400.0	33.3	22.4	12.1	26.0	8.8
Turnover Tax	974.0	81.2	123.6	75.1	70.4	59.3
Tax on Bourse Transactions	50.0	4.2	4.9	3.5	3.0	2.7
Transport Tax	325.0	27.1	27.1	25.3	19.0	26.1
Other Taxes	377.0	31.4	46.9	28.9	28.4	35.4
TOTALS	4 476.0	373.0	451.7	319.7	267.2	263.3

As compared with the receipts for March, the receipts from these taxes, with the exception of the Tax on other forms of income and the Tax on Real and personal Property, are fairly satisfactory.

There was no provisional payment in the course of the month.

The Tax on Wages yielded 10.2 million RM more than in March. This improvement is due partly to the fact that the payments related to 25 working days (from May 21 to June 20) instead of 24 as in March; it is more particularly due to an improvement on the labour market which took the form rather of a decrease in the number of part-time workers receiving reduced wages (particularly in the coal mines) than of a decrease in the number of persons totally unemployed.

The Tax on Income from Capital, which in April gave the largest yield since the return to stabilisation (15.6), almost reached the same figure, and totalled 15 million RM. This improvement is an indication of the increase in company returns and of the extension of securities yielding a fixed income, to which statistics also bear witness.

The yield of the Turnover Tax which, at the rate of 0.75 per cent, produced 59.3 million RM, shows an increase in the volume of business of about 12 per cent as compared with March (70.4 million RM at the rate of 1 per cent), but is slightly behind the figure for May (63.3 million RM).

The Transport Tax shows an increase which keeps within

the limits of seasonal variations (1).

III. The following table shows in detail the receipts of the Assigned Customs and Taxes on tobacco, beer, etc.:

(in millions of RM)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS			
	Financial year 1926-1927	Monthly average	1st quarter financial year 1925-1926 monthly	1st quarter financial year 1926-1927 average	March 1926	June 1926
Customs	580.0	48.3	37.2	55.3	48.6	63.2
Tobacco Tax	655.0	54.6	50.7	43.7	50.5	42.4
Sugar Tax	265.0	22.1	20.3	18.9	25.3	21.2
Beer Tax	235.0	19.6	21.7	21.4	18.0	22.6
Alcohol Monopoly	172.0	14.3	10.2	14.4	19.3	14.5
TOTALS	1 907.0	158.9	140.1	153.7	161.7	163.9

The receipts from these taxes have on the whole remained at approximately their March level and show an increase of almost 10 millions over the previous month. This result is due more especially to the higher yield from Customs and the Beer Tax. The Customs returns have increased constantly since the beginning of the financial year (April: 48.2; May: 54.8; June 63.2 million RM

(1) It should be noted that the Table for taxation returns is compiled before the Railway Company has established the statement for the tax for which it is responsible for the preceding month. The returns here shown under June must correspond to the receipts collected in April and paid in May on Reparation account for the part of the tax collected by the Railway.

It is not possible to compare these figures with those for imports, as part of the duties relate to the imports of the months, while another and larger part relates to imports effected three months earlier; there is in any case no doubt that the importation of cereals was largely responsible for the increased yield.

In the case of the Beer Tax the increase in receipts is seasonal and the proceeds are much lower than those of last year (June 1925: 28.2) owing to the unfavourable temperature.

IV. The statement for the receipts and payments of the Reich will not be known until the beginning of next month; the extent to which the receipts have sufficed to cover payments will then be known. It is now only possible to say that the receipts from taxation are stationary and that the increase in taxable matter, the early arrival of which it was hoped at the beginning of the year would compensate for the decrease in returns resulting from the reduction of rates, is as yet very slow in appearing.

(Signed) L. GAILLET-BILLOTTEAU

Translation 3345 (from French): Translated BWS: Checked NL.

EL.

I.I.9.322. DOC. 204.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, August 24, 1926.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH

for the first quarter of the financial year 1926/27.

(cf. Doc. 200)

The Deutscher Reichsanzeiger of August 3 1926 (No.178) published the table of the receipts and payments of the Reich during the first three months of the financial year. The table is given in the same form as in the preceding month. A translation of it is given below, together with a translation of the remarks appended to it.

The table suggests the following observations:

(1) June is, like May, a month when the returns of the revenue are low. It has been seen (Doc. 203) that the taxes produced almost exactly the same sum as in the preceding month. The highly variable administrative receipts having yielded 30 millions less than in May, and the payments having increased by over 45 millions, the result is a deficit in the ordinary budget of RM. 84.1 millions.

On the other hand the extraordinary budget, which in the preceding month had to make provision for Treasury bonds coming to maturity, had only RM. 4.7 millions of payments to

make in June, apart from the budgetary contribution.

Again, payments belonging to the expenditure of the year 1925-26 diminish appreciably as the close of the financial year is left behind.

(2) For the whole of the quarter the ordinary budget shows a slight surplus (14.8 millions) including previous surpluses applied to cover the expenditure of the year. If the actual receipts are compared with the actual payments, this surplus is transformed into a deficit of RM. 77 millions.

As regards the extraordinary budget, to be covered by loan, it shows a total of RM. 116 millions for the first three months, as compared with a total of 293 millions for the whole year. This large proportion is explained by

a) the Extraordinary Budget contribution of the second Reparation year, the place of which is taken in September (third Reparation year) by the normal budget contribution borne on the Ordinary Budget;

b) maturities of Treasury bonds, which end in October.

(3) The total amounts carried to the account of "Reparation Payments" correspond with the payments actually effected; but the distribution between the ordinary and extraordinary budgets diverges from the actual position. The actual payments in June were

for transport tax, RM. 23 526 445;

for budgetary contribution, RM. 20 004 380.

The corresponding sums shown in the statement of expenditure

are

ordinary budget (transport tax), RM. 28.3 millions

extraordinary budget (budgetary contribution), RM. 15.2 millions

The difference of RM. 4.8 millions in excess on the ordinary budget and in deficiency on the extraordinary budget is due to the adjustment of an error, which was noted in the May statement (compare Doc. 200, page 2). There was then shown in the extraordinary budget a sum of RM. 4.832 millions on account of transport tax which belonged to the ordinary budget. The adjustment in June, which is a matter purely of accounting, has the effect of showing in the ordinary budget a deficit for June of RM. 4.8 millions above the actual deficit.

(signed) L. GAILLET-BILLOTTEAU

Translation 3455 (from the French): translated RB: checked RB.

DOC. 204

ANNEX.

RECEIPTS AND PAYMENTS OF THE REICH
FOR THE FIRST QUARTER OF 1926.

	April 1926	May 1926	June 1926	Total for the 1st quarter of 1926.
	(in millions of RM.)			
A. ORDINARY BUDGET.				
I. Receipts.				
a) Receipts from taxation	584.6	435.4	435.3	1 455.3
b) Administrative receipts	6.0	46.7	16.0	68.7
Total receipts	590.6	482.1	451.3	1 524.0
II. Payments.				
a) General administration	368.3	322.1	353.5	1 043.9
b) Reparation payments	-	17.8(1)	28.3(1)	46.1
c) Transfers of taxes to the Federal States	207.2	150.2	153.6	511.0
Total payments	575.5	490.1	535.4	1 601.0
Accounting deficit to be made up by grant	-	8.0	84.1	77.0
surplus	15.1			
Monthly twelfths of the 1924 and 1925 surpluses incorporated in the budget	30.6	30.6	30.6	91.8
Budget deficit to be made up by grant	-	-	53.5	-
surplus	45.7	22.6		14.8

(1) Transport Tax

	April 1926	May 1926	June 1926	Total for the first quarter of 1926
	(in millions of RM.)			
B. EXTRAORDINARY BUDGET.				
I. Receipts.	0.1	0.2	0.3	0.6
II. Payments.				
a) General Administration including war charges	5.1	42.6	4.7	52.4
b) Reparation Payments	29.0(1)	19.9(1)	15.2(1)	64.1
Total Payments:	34.1	62.5	19.9	116.5
Total to be covered out of loan:	34.0	62.3	19.6	115.9
C. FURTHER RECEIPTS AND PAYMENTS ON ACCOUNT OF THE FINANCIAL YEAR 1925.				
I. Receipts.	22.0	11.7	-	33.7
II. Payments.	79.7	86.4	27.8	193.9
D. POSITION OF THE FLOATING DEBT ON		April 30 1926	May 31 1926	June 30 1926
1) On Treasury bonds issued		18.6	18.6	18.6
2) On guarantees assumed		52.4	52.3	51.0

(1) Budgetary contribution

It appears from the table that in the first quarter of the current financial year, according to the provisional calculations, there is a budget surplus of 14.8 million, that is to say, that the position of the receipts and payments taken together is somewhat more favourable than had been estimated.

In the case of the receipts it is to be remembered on the one hand that the reductions of taxation had not had their full effect in April, but on the other hand no date for payment of the Tax on Real and Personal Property fell within the first quarter.

The payments as a whole were within the limits of the estimates: unavoidable additional expenditure, as for example on unemployment relief, was counterbalanced by economies under other heads.

The amount of 115.9 millions to be covered under the Budget Law out of loans could be provided for the present out of the funds in hand, so that the floating debt did not require to be increased, while the funded debt was diminished out of sinking fund in the regular manner.

Translation 3455 (from the German): translated RB: checked RB.

I.I.9.4140 DOC. 205

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, August 26 1926.

THE BALANCE SHEET OF THE RENTENBANK AS AT JULY 31 1926.

(see DOC. 202)

The following is the comparison between the balance sheet of the Rentenbank as on July 31 1926 and the balance sheet as on June 30 1926.

	Balance sheet of July 31 1926 (in Rent.M)	Difference as compared with that of June 30 1926. (in Rent.M)
A S S E T S		
Charge upon German agriculture	2 000 000 000.-	-
Rentenbriefe as on June 30 1926 Rent.M.1 699 844 000 July 31 1926 " 1 699 844 000		
Loans to the Reich	981 880 586.96	- 19 187 280.93
Outstanding credits	547 899 162.85	-
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	98 337 351.91	+ 14 353 015.40
Real property of the Bank	325 000.-	-
Office furniture and supplies	59 628.59	+ 1 686.30
Miscellaneous assets	3 241 834.05	- 12 622 500.-
L I A B I L I T I E S		
Capital	2 000 000 000.-	-
Rentenbank notes in circulation	1 500 820 346.-	- 19 187 281.-

	Balance sheet of July 31 1926 (in Rent.M)	Difference as compared with that of June 30 1926. (in Rent.M)
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000.-	-
Carried forward	36 160 115.60	-
Reserves	6 069 978.75	-
Miscellaneous liabilities	4 062.50	+ 386.6

There have been paid into the amortisation fund instituted at the Reichsbank: in virtue of § 7a of the Law on the liquidation of Rentenbank notes, 4 187 280.93 Rentenmarks, representing interest paid by the owners of the mortgaged property; in virtue of § 7b (payments by the Reich) 15 000 000 Rentenmarks representing the quarterly payment of July 1; the items "Loan to the Reich" and "Rentenbank notes in circulation" decrease by the sum total of these two payments.

Since the Law on the Liquidation of the Rentenbank notes took effect, there have been paid into the amortisation fund:

Rentenmarks:	113 119 413.04	in	virtue	of	§ 7a	of	this	Law
	105 000 000.-	"	"	"	§ 7b	"	"	"
	67 793 963.46	"	"	"	§ 7c	"	"	"
	293 444 861.-	"	"	"	§11	"	"	"
making a total of	579 358 237.50							

Translation 3480 (from French): transl. UP: checked CFH.

I.I.9. 321 DOC. 206

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, August 27, 1926.

FINANCES OF THE REICH

TAX RECEIPTS FOR THE MONTH OF JULY 1926.

(see Doc. No. 203)

1. The Deutscher Reichsanzeiger No. 190 of August 17,1926 publishes a statement of the tax receipts for the month of July 1926. The usual tables showing the receipts for the principal categories, as compared with the receipts for the corresponding month of the preceding quarter, will be found below :

The first table shows the total tax receipts.

	ESTIMATED RECEIPTS:		RECEIPTS COLLECTED			
	Fin. Yr. 1926/27	Monthly average	1st Qr. Fin.Yr. 1925/26	1st Qr. Fin.Yr. 1926/27	April 1926	July 1926
	(in millions of RM)					
I.Taxes on income sales,transport etc:						
(a) recurrent	4 476.0	373.0	451.7	319.7	425.2	472.1
(b) non-recurrent	30.0	2.5	5.8	4.7	8.2	4.3
II.Customs & taxes on beer, tobacco etc.						
(a) assigned	1 907.0	158.9	140.1	153.7	143.6	227.0
(b) other	52.3	4.4	10.7	6.9	7.6	4.6
III.Miscellaneous	-	-	0.1	-	-	-
Total :	6 465.3	538.8	608.4	485.0	584.6	708.0

The month of July is invariably a productive month as a result of the quarterly payments due on account of Income Tax, Corporation Tax and Turnover Tax. The returns for July 1926 are particularly satisfactory and have only twice been exceeded since the stabilisation of the mark : January 1925 (RM. 768.8 millions) and July 1925 (RM 713.6 millions), notwithstanding the tax reductions introduced at the end of 1925 and the beginning of 1926. According to information from the Finance Minister, the returns have exceeded the estimates by RM 103 millions. Lastly, as compared with the corresponding month of the financial year - April 1926 - there is a surplus of RM. 123.4 millions derived almost entirely from the assigned taxes on beer tobacco etc. (RM. 83.6 millions, including RM.64.8 millions for Customs Duties) and from Income Tax and Corporation Tax (Tax on wages : RM.13.8 millions; on other forms of income RM. 22 millions; Corporation Tax: RM.29 millions).

It is true that these surpluses are due to certain exceptional circumstances, which will be indicated below, but they nevertheless stimulate confidence in the results for the financial year.

II. Table II below shows the returns from the Taxes on Income, Sales, transport etc:

	ESTIMATED RECEIPTS		RECEIPTS COLLECTED			
	Fin.Yr. 1926/27	Monthly average	1st Qr. Fin.Yr. 1925/26 Monthly average	1st Qr. Fin.Yr. 1926/27 Monthly average	April 1926	July 1926
	(in millions of RM)					
Income Tax :						
(a) on wages	-	-	131.7	83.6	79.5	93.3
(b) on Income from Capital :	-	-	13.1	13.5	15.6	10.3
(c) on Other Forms of Income :	-	-	63.8	59.6	120.6	142.7
Together :	2 100.0	175.0	208.6	156.7	215.7	246.3
Corporation Tax :	250.0	20.8	18.2	18.1	36.3	65.5
Tax on Real and Personal Property :	400.0 (1)	33.3 (1)	22.4 (1)	12.1 (1)	14.3 (1)	7.1 (1)
Turnover Tax :	974.0	81.2	123.6	75.1	99.6	80.7
Tax on Bourse Transactions :	50.0	4.2	4.9	3.5	4.1	6.3
Transport Tax :	325.0	27.1	27.1	25.3	28.1	25.4
Other Taxes :	377.0	31.4	46.9	28.9	27.1	40.8
Total :	4 476.0	373.0	451.7	319.7	425.2	472.1

The returns from these taxes exceed those for April 1926 by RM 46.9 millions.

(1) These figures relate only to the General Tax of 0.75 per cent and do not include the Luxury Tax of 7.5 per cent. In the statement for June (Doc.203) the proceeds from the Luxury Tax were erroneously added to those from the General Tax. In order to facilitate comparison with the other months, the figures in Table 2 of Doc. 203 should be rearranged as follows :

Turnover Tax RM. 58.2 millions
Other Taxes " 36.5 "

The total of the Table remains unchanged.

The yield from the Tax on Wages is RM. 4.5 millions more than for June and RM. 13.8 millions more than for April. The improvement is however more apparent than real. The period covered by the April payments comprised only 24 or 25 working days (according as the Easter holidays amounted to 2 or 3 days), whereas the period covered by the July payments involved 26 working days. In addition, the figure indicated represents the net proceeds, less refunds for over-payments in 1925(1). The figures supplied do not show the amount of such over-payments, but, according to the Press, they amounted to RM. 42.5 millions for the first 7 months of the year, to 9,3 millions for April and to only RM. 1.2 millions for July. If these figures are correct, the gross receipts from the Tax on Wages amounted to RM. 88.8 millions for April with 24 or 25 working days, and to RM. 94.5 millions for July with 26 working days. They do not therefore reflect any substantial improvement in the labour market.

The Tax on Other Forms of Income, in respect of which an anticipatory payment fell due in July,(2) yielded RM 22.1 millions more than in April. The higher returns are partly to be attributed to the fact that the final instalments for 1925 were in certain cases, after assessment of the taxable income, added to the anticipatory payments for 1926. The same applies to the

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(1) Such refunds are granted, if, owing to unemployment or illness, the tax collected during the preceding year exceeds the proper figure, account being taken of the exemption minimum professional outlay, family charges etc., or if the position of the tax-payer has been worsened by exceptional circumstances

(2) This payment was not required of the agriculturists, whose instalments fall due at a different time (November Feb and May)

Corporation Tax, of which an anticipatory payment also fell due in July and yielded RM. 29.2 millions more than in April.

It is impossible to draw any conclusion from the insignificant proceeds from the Tax on Real and Personal Property, of which the first payment does not fall due until August.

The Turnover Tax involved quarterly payments which increased the returns by over 22 millions as compared with June. The returns are however almost 19 millions less than those for April, when the rate applied was still 1 per cent instead of the 0.75 per cent in force since May. Account being taken of this reduction and of the fact that March (tax paid in April) comprised one working day more than June (tax paid in July), the proceeds for July represent and increased volume of business amounting to 11 to 12 per cent.

The Tax on Bourse Transactions, the returns from which, despite a partial reduction of 50 per cent, exceed by 50 per cent those for April, reflects the activity of the Bourse.

Among Other Taxes particular mention should be made of the the Automobile Tax which yielded RM 16.1 millions (estimate for the entire year : RM 40 millions).

III. Table III below shows the receipts from the Customs and Assigned Taxes on Beer, Tobacco etc.

	ESTIMATED RECEIPTS		RECEIPTS COLLECTED			
	Fin. Yr 1926/27	Monthly average	1st Qr. 1925/26	1st Qr. 1926/27	April 1926	July 1926
			Monthly average (in millions of RM)			
Customs	580.0	48.3	37.2	55.3	48.2	113.0
Tobacco Tax	655.0	54.6	50.7	43.7	43.8	49.4
Sugar Tax	265.0	22.1	20.3	18.9	16.3	25.2
Beer Tax	235.0	19.6	21.7	21.4	20.4	24.7
Spirits Monopoly	172.0	14.3	10.2	14.4	14.9	14.7
TOTAL :	1 907.0	158.9	140.1	153.7	143.6	227.0

Apart from the Spirits Monopoly, the proceeds from which remain stationary, all the taxes show surpluses as compared with both June and April. The returns from the assigned taxes are higher than they have ever been. The Customs returns show an exceptional increase of 138 per cent, which, according to information from the Minister, is partly due to the importation of cereals in anticipation of the increase in the Customs Duties applied as from August 1, and also to numerous payments of duties which had been deferred. Consequently, although the returns will not remain at this level, a surplus of about 200 millions over the estimates is expected for the financial year.

This improvement in the returns from the Taxes on Beer, Tobacco etc. is doubly interesting, from the point of view of the Reparation Budget Contribution for which they form security, and from that of the finances proper of the Reich, which benefits by the total proceeds of these taxes, whereas a substantial part of the direct taxes merely pass through the coffers of the Reich and

automatically find their way back to the Federal States.

IV. The Finance Minister gave an account of the figures to the Pressmen on August 13 before publication. The results, he said, bore out his former remarks of June 28, (see note No. 25 of July 8, 1926). In the examination of the various tax items, account has been taken of the Minister's observations.

As regards the state of the Treasury, the Minister stated that he had not so far required to have recourse to the facilities afforded by the recent amendment of the Bank Law, or to the loan of RM 100 millions which was already available at the Reichsbank. All the expenditure which was to be covered by the Loan had hitherto been met from available balances, as well as the necessary outlay on housing schemes and work for the unemployed. The Minister thought this policy might be continued without prematurely withdrawing from German economy the funds loaned to him. It was understood of course that he reserved the right to have recourse when necessary to the borrowing facilities provided for in the Budget, but the time had not yet come. He did not intend to approach the market for weeks or even months to come, and would choose his moment which would depend on the rate of interest and the state of the Bourse.

(signed) L. GAILLET BILLOTTEAU.

Translation 3479 (from French) Transl. JMP Checked : CFH.
DLC.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, September 2, 1926.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN JULY 1926.

(see Doc. No. 204)

The Deutscher Reichsanzeiger No. 201 of August 30 1926 publishes a statement of the receipts and payments of the Reich for the month of July 1926. This statement is given below, with the figures for April, the corresponding month of the first quarter.

	1926			
	April	1st Quarter	July	Total for the first 4 quarters
		(millions	of RM)	
A. ORDINARY BUDGET				
Receipts				
a) Tax receipts	584.6	1 455.3	708.0	2 163.3
b) Administrative receipts	6.0	68.7	40.8	109.5
Total receipts	590.6	1 524.0	748.8	2 272.8
Payments				
a) General administration	368.3	1 043.9 (1)	376.9 (1)	1 420.8 (1)
b) Reparation payments	-	46.1	22.9	69.0
c) Transfers to the States	207.2	511.0	246.7	757.7
Total payments	575.5	1 601.0	646.5	2 247.5
Accounting deficit	-	77.0	-	-
Accounting surplus	15.1	-	102.3	25.3
Surplus for financial years 1924 and 1925, monthly proportions	30.6	91.8	30.6	122.4
Budget deficit	-	-	-	-
Budget surplus	45.7	14.8	132.9	147.7

(1) Transport Tax

	April 1926	1st Qr. 1926	July 1926	Total for first 4 months
B. EXTRAORDINARY BUDGET				
Receipts	0.1	0.6	0.5	1.1
Payments				
a) General administration including war charges	5.1	52.4	54.8	107.2
b) Reparation payments	(1) 29.0	64.1	(1) 20.0	84.1
Total payments	34.1	116.5	74.8	191.3
or net payments to be covered by the loan:	34.0	115.9	74.3	190.2
C. RECEIPTS AND PAYMENTS FOR FINANCIAL YEAR 1925-1926				
Receipts	22.0	33.7	12.1	45.8
Payments	79.7	193.9	33.1	227.0

POSITION OF THE FLOATING DEBT ON:	April 30 1926	July 31 1926.
1) Liabilities to pay	18.6	18.6
2) Guarantees	52.4	51.1

As was to be expected from the yield of the tax receipts (see Doc. 206), July shows a considerable surplus for the Ordinary Budget, due largely to the fact that administrative receipts brought in 40.8 million RM for this month alone, as against 68.7 millions

(1) Budgetary contribution

during the first three months of the financial year. In spite of the increase in the transfers to the States, as a result of the heavy yield of the transferable taxes, this surplus is sufficient to transfer the deficit of the first quarter into a net surplus of 25.3 millions; and, when the surpluses of the preceding financial years carried forward to the present Budget are also brought into account, the (gross) surplus is increased to 147.7 million RM.

In the Extraordinary Budget the general administrative payments have considerably increased, and now exceed those for the first three months together.

The (net) payments under this Budget amount for the four months, for which figures are known, to 190.2 million RM. These payments are of course treated as coverable by loans, although hitherto the Treasury has been in a position to meet them out of current resources in hand. If they had to be met from normal revenue, the surplus indicated would be transformed into a gross deficit of 164.9 million RM; and, including the surpluses of the preceding financial years, there would be a further net deficit of 42.5 million RM.

The Reparation payments indicated correspond this month to the sums paid by the Agent General.

(Signed) L. GAILLET-BILLOTTEAU

Translation 3503 (from the French): translated NL: checked RB.

I.I.9.4439. a - DOC. 208.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 3, 1926.

INSURANCE IN GERMANY AGAINST EXPORT CREDIT RISKS WITH FINANCIAL SUPPORT FROM THE REICH.

Insurance against risks arising from the granting of export credits has been established in Germany by two systems which differ considerably; the first, the "Berlin system" commenced operations in April 1926, the second, the "Hamburg system" in July 1926.

Hamburg commission firms, which practically have the monopoly of the foreign trade in certain products, did not feel disposed to accept the system proposed by the Government, as they considered that this system was calculated in principle to encourage the exporters, insured as they would be against risks of non-payment, to dispense with the middleman and to embark on business without adequately investigating the credit of foreign purchasers.

There are therefore at present two systems simultaneously at work in Germany.

I. The Berlin System.

This system is based on the collaboration of the Reich and of two private Insurance companies, viz:

Hermes Kreditversicherung A.G. of Berlin, and

Frankfurter Allgemeine Versicherung A.G. of Frankfort,

and of two Reinsurance companies :

Münchener Versicherung A.G. Munich, and

Frankona Rück- und Mitversicherung A.G.Berlin.

The system is based entirely on private agreements concluded between the Reich and the insuring companies and between the insuring companies themselves.

In principal only those export contracts may benefit by export insurance-credit which could not have been concluded without such insurance, it being naturally the aim of the Reich in intervening on these occasions to increase German exports. For the same reason only such business as is likely to increase the activity of the German labour market is permitted the advantage of such insurance.

An insurance contract against losses resulting from export may only be concluded if the goods are sold against acceptances or against bills. It is nevertheless possible in certain cases to insure sales against credit.

The risk guaranteed is that of non-payment of the goods. Such non-payment may be due to one of two possibilities :

(1) "Risk of act of God", i.e. cases of force majeure: war in some country or other, disturbances, revolution, earthquakes, steps taken by the State preventing the debtor from fulfilling his engagements, etc. etc.

(2) "Normal risk", i.e. insolvency of the debtor.

The insurance does not however cover refusal to pay on the part of the recipient of the goods, due to the fact that they fail to comply with the order or are not delivered within the time stipulated in the contract.

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The financial distribution of the risk operates as follows :

In the first place and in all circumstances the principle holds good that the insured person, i.e. the exporter, must himself and without being covered elsewhere, take a risk - whether a normal risk or a risk of act of God - equal to one-third of the total value of the invoice. By this means it has been contrived that in all circumstances the exporter runs a risk greater than the profits calculated on the sale of the goods.

In the case of the "normal" risk the insurance company takes over the remaining two-thirds of the total value of the invoice in the first place. Half of its share of the risk is however covered by the Reich.

With regard to the "risk of act of God", the insurance company guarantees the two-thirds not borne by the exporter, but in this case the company may claim from the Reich in respect of the whole of this share.

In order to meet its obligations the Reich has instituted a guarantee fund of 10 million marks. In addition, that part of the premiums to which the Reich is entitled will be paid into this fund. To the extent that the fund proves insufficient, the original insurance companies reinsure themselves with the Münchener Rückversicherung A.G. Munich, and the Frankona Rück- und Mitversicherung A.G. Berlin, so that consequently each of these companies takes over one half respectively of the risk in excess of the available guaranteed funds of the Reich.

Briefly then, behind the exporter, who under all circumstances and whatever the risk takes over one-third, stand the

insurance companies responsible for the remaining two-thirds of the value of the invoice. These companies are themselves so to speak reinsured in the first place with the Reich up to the amount of the 10 million mark fund, for one half of the normal risk and for the whole of the risk of act of God, and further with the two private reinsurance companies.

The sum total of the credits which, owing to the size of the guarantee fund of the Reich, can be insured is approximately 100 to 120 million marks, or about 10 or 12 times the amount of the guarantee fund.

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The financial organisation of the insurance conforms to the distribution of risks as described above.

In a normal case, i.e. in the duration of three to four months, the insurance premium is 2 per cent of the capital insured according to the invoice.* The part for which the exporter is responsible is not included in that total: if for instance the invoice is made out for 100 RM the capital on which the premium will be calculated is 66.666 RM - the one-third share of the exporter having been deducted. The 2 per cent rate applies to sales against acceptances. In the case of sales against bills the premium rate is about one-third less than in the previous case, or 1.333.

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* Nevertheless in certain cases the normal rate may be increased to 3 per cent: for instance in the case of a country in a bad state economically, or in the case of exceptionally great risks.

In order to enable the exporter to grant credit to the purchaser, it has been necessary to provide for the possible extension of the duration of contracts. Such extension is permitted up to twelve months, and when it takes place the premium rate increases as shown in the following table :

	Sales against acceptances	Sales against bills
Up to 4 months	2	1.33
" " 7 "	3	2.33
" "10 "	4	3.33
" "12 "	5	4.33

The distribution of the yield from the premiums between the insurers is as follows :

First case.- The premium paid does not exceed 2 per cent: 25 per cent of that premium is set aside to cover "risk of act of God".

Second case.- The premium exceeds 2 per cent: in this case $33\frac{1}{3}$ is set aside to cover "risk of act of God".

The amounts deducted to cover "risks of act of God" are paid over by the insurance company to the Reich, which alone assumes responsibility for such risks and in turn shares them with the reinsurance companies in the proportion of 60 per cent for the Reich and 40 per cent for the reinsurance companies.

With regard to the balance of the premiums - 75 per cent in the first case and $66\frac{2}{3}$ per cent in the second case - the original insurers receive in the first place 30 per cent to cover their costs

(cost of enquiry, organisation, etc.), the remainder serves to cover the normal risk and is therefore divided equally between the original insurers and the Reich.

The premiums which fall to the share of the Reich go to swell the guarantee fund.

* * *

The administrative organisation of the insurance is as follows:

The exporter makes application to the insurance company. Such application carries with it the obligation to answer a large number of questions relating to the ultimate payer. The insurance company may enquire into the payer's position. The application is submitted to the "Ausschuss der Export Kreditversicherungstelle" (Committee of the Export Credit Insurance Office) which decides whether the risk can be accepted.

In addition to approving insurance contracts sent to it, it is the duty of the Committee to see that

(a) only those credits likely to increase exports are insured;

(b) the amount of credits guaranteed is proportionate to the guarantee fund of the Reich;

(c) the risk is distributed among a suitable number of payers;

(d) the risk is distributed over a suitable number of countries.

Further, the Committee fixes the amount of the premiums in each case: the original insurance firm proposes a rate when submitting the insurance contract.

Finally the Committee is empowered to make use of the Reich guarantee fund.

The administrative work is done by the Export Credit Insurance Office.

The Committee is under the Commission of the Export Credit Insurance Office, whose duty it is to give general instructions to the Committee and which in short acts as a legally constituted body in the event of litigation between exporters,or insurance companies and the Export Credit Insurance Office.

The Reich and industry are represented on all these bodies.

II. The Hamburg System.

Whereas the Berlin system insures the exporter against the insolvency of the foreign debtor, under the Hamburg System it is the German banks which grant credit to the German exporter and guarantee the latter's solvency. The foreign debtor plays no part, in the sense that the risk of his insolvency is entirely borne by the German exporter.

This principle is in conformity with the criticisms levelled at the Berlin System by the Hamburg firms, namely that it is dangerous to guarantee exporters against non-payment by their debtors abroad, as it encourages them to trade carelessly, and that what the export trade needs is more credits and not more security.

The credit granted to the German exporter by the bank is therefore insured by the same companies as under the Berlin System.

The bank takes over one-third of the risk and the insurance company the remaining two-thirds. In connection with the "risk of act of God" the Reich has instituted a guarantee fund of 5 millions drawn from the Fund for Productive Aid for the Unemployed.

To the extent that this guarantee fund may be exceeded the insurance companies reinsure themselves with the same reinsurance companies as under the Berlin System.

Under the Hamburg System the premiums amount to two-thirds per cent plus one-half per cent for costs of the total credit granted for a period of four months.

For a period exceeding four months the premiums increase by one-ninth per cent of the amount insured per month.

A representative of the Reich is entrusted with the duty of approving the credits.

The bank advancing funds to an exporter and wishing to profit by the insurance must insure for the existence of the goods to be exported, or obtain possession of the bills before granting the advance.

Under the Hamburg System insurance takes place against the exporter's bankruptcy :

(a) either because he is declared bankrupt or is the object of a petition for bankruptcy;

(b) or because he has asked his creditors for a moratorium;

(c) or because he has suspended payment or taken flight.

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According to the newspapers, such credits have already been made use of to a considerable extent, especially to guarantee small transactions which would doubtless not have been executed without this guarantee.

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In considering the total amount of credit operations which can be guaranteed, as regards the Berlin System the figure of 100 to 120 million marks, equal to 10 to 12 times the total amount of the Reich guarantee fund, may be accepted.

With regard to the Hamburg System it is probable that the ratio of the guarantee fund to the total capital which can be granted insurance-credit is smaller than under the Berlin System, as the risk is not so great. It appears possible,without exaggeration, to accept the calculation of the Reich that, with a guarantee fund of only half the amount and limited to the risk of act of God, it could guarantee capital equal in amount to that guaranteed under the Berlin System. This would make a total of 200 to 240 million marks.

On the other hand the guarantee granted by the Reich and the Federal States to exporters to Russia is very similar to the insurance-credit as described above. The total amount guaranteed by the Reich for exports to Russia is 300 million marks. Accordingly the total credits granted by the Reich and the Federal States for exports would thus amount to about 500 to 540 million marks. Despite this, in the financing of Russian credit it has up till now only been possible to obtain a capital of 150 million marks, so that the total amount of transactions for which export credits will be available in the near future will be only some 350 to 390 million marks.

The amount of the transactions already actually carried out under these different export credit systems was estimated at the

beginning of September at 10 million RM under the Berlin system, representing about 1000 contracts. The results of the Hamburg System, which has only been working for a short time, are not yet known. As for the transactions carried out under the Russo-German credit agreement, the amount of the transactions concluded was estimated at the beginning of September at 75 million RM approximately.

(Signed) René BERGER.

Translations 3507 and 3521 (from the French).
MdeJB.

I.I.9.343. DOC. 209.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, September 13, 1926.

FINANCES OF THE REICH.

POSITION OF THE PUBLIC DEBT AS AT

JUNE 30 AND JULY 31, 1926.

(see Doc. No. 201)

The total figures of the Public Debt are as follows :

(for details see appended table)* :

	Millions of RM
As at May 31, 1926	2 230.9
" " June 30, "	2 218.5
" " July 31, "	2 147.8
Reduction during June	12.4
" " July	70.7
Total reduction for the two months	83.1.

I. The RM 12.4 millions redeemed in June were distributed over the following items :

The debt of the Reich to the Rentenbank was reduced by RM 9.1 millions, representing the interest paid by the owners of the mortgaged land (§ 7a of the Law on the Liquidation of Rentenbank

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* The amount of the revalorised debt is not included in the figures of the table, the exchange of old holdings for holdings of the new Loan Liquidation Debt (Ablösungsschuld) being not yet completed.

Notes).

The Reichsmark value of the several tranches of the German External Loan 1924 was reduced by 2.0 millions as a result of regular payments to sinking fund.

The "Guarantees" item was reduced by 1.3 millions.

II. During July, the repayments effected related to the following items :

47.5 millions, that is to say the balance of the "E" bonds remaining in circulation were repaid on maturity.*

The debt to the Rentenbank was further reduced by 19.2 millions, including (a) 4.2 millions representing interest paid by the owners of the mortgaged land, and (b) 15 millions, representing the quarterly Budget Contribution of the Reich (due date July 1).

Lastly, the Reichsmark value of the German External Loan was reduced by RM 3.8 millions.

M.H.

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* Originally, the first payment was to fall due on October 1, 1926 (Bonds of the 2nd Series). As a result of the non-utilisation of a section of the bonds issued, the debt was extinguished by means of the July payment.

PUBLIC DEBT OF THE REICH

(in millions of RM) *

	May 31 1926	June 30 1926	July 31 1926
I. TREASURY BONDS			
Paper marks	0.0	0.0	0.0
6 per cent redeemable in 1935	19.0	19.0	18.9
6 per cent redeemable in 1932	1.2	1.2	1.2
"K" bonds	0.9	0.9	0.9
"E" bonds	47.5	47.5	-
Total	68.6	68.6	21.0
II. DEBTS TO BANKS			
Rentenbank	942.4	933.3	914.1
Reichsbank	217.4	217.4	217.4
Total	1 159.9	1 150.7	1 131.5
III. EXTERNAL LOAN			
110 million dollars	430.8	429.1	427.5
21.68 million pounds sterling	433.4	433.7	433.2
25.2 million Swedish crowns	27.9	28.0	27.9
100 million lire	15.4	14.7	13.1
15 million Swiss francs	12.0	12.0	12.0
Total	919.5	917.5	913.7
IV. OTHER DEBTS			
Commitments	18.6	18.6	18.6
Guarantees	52.3	51.0	51.1
Loan to agriculture (Meliorationskredit)	12.0	12.0	12.0
Total	83.0	81.7	81.7
GRAND TOTAL	2 230.9	2 218.5	2 147.8

* Differences in the totals are due to the rounding off of the figures.

Translation 3541 (from French): translated JMP: checked NL. MdeJB.

I.I.9.4140 DOC. 210

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, September 13,1926

THE BALANCE SHEET OF THE RENTENBANK AS AT AUGUST 31.1926.
(See Doc. No. 105).

The following is the comparison between the balance sheet of the Rentenbank as on August 31, 1926 and the balance as on July 31, 1926.

	Balance sheet of August 31, 1926 (in Rentenmarks)	Difference as compared with that of July 31, 1926 (in Rentenmarks)
ASSETS		
Charge upon German agriculture	2 000 000 000	-
Rentenbriefe as on Aug.31,1926 Rent.M. 1 699 844 000 as on July 31, 1926 Rent.M. 1 699 844 00		
Loan to the Reich	979 582 114.17	- 2 298 472.79
Outstanding credits	547 899 162.85	-
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	100 495 868.27	+ 2 158 516.36
Real property of the Bank	325 000.-	-
Office furniture and supplies	79 432.59	+ 19 804.-
Miscellaneous assets	3 241 834.05	-

LIABILITIES	Balance sheet of August 31, 1926 (in Rentenmarks)	Difference as compared with that of July 31, 1926 (in Rentenmarks)
Capital	2 000 000 000.-	-
Rentenbank notes in circulation	1 498 521 873.-	- 2 298 473.-
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000.-	-
Carried forward	36 160 115.60	-
Reserves	6 069 978.75	
Miscellaneous liabilities	1 457.50	- 2 605.-

During the month of August, Rentenmarks 2 298 472.79, representing interest paid by the owners of the mortgaged land, were paid into the Sinking Fund instituted at the Reichsbank. The items "Loan to the Reich" and "Rentenbank notes in circulation" have decreased to a corresponding amount.

Since the application of the Law on the Liquidation of Rentenbank Notes (Oct. 11,1924), the following payments have been made to the Sinking Fund:

Rentenmarks	115 417 885.83	under	§ 7 a	of the	said Law
"	105 000 000.-	"	§ 7 b	"	"
"	67 793 963.46	"	§ 7 c	"	"
"	293 444 861.-	"	§ 11	"	"
making a total of: Rentenmarks	581 656 710.29				

Translation 3546 (from French) Transl. JMP. Checked NL.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, September 17,1926.

FINANCES OF THE REICH.

TAX RECEIPTS FOR AUGUST 1926.

(see Doc. 206)

I. The Deutscher Reichsanzeiger No. 215 of 15 September, 1926 publishes the statement of tax receipts for August 1926. Below are the usual tables for the various categories of taxes, the receipts for the corresponding month of the previous quarter being also given for comparison.

First table : TOTAL TAX RECEIPTS
(in millions of RM)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS			
	Financial year 1926-27	Monthly average	1st quarter fin. year 1925-26	1st quarter fin. year 1926-27	May 1926	August 1926
			Monthly average			
I. Taxes on income, sales, transport etc.						
a) Recurrent	4 476.0	373.0	451.7	319.7	270.5	459.8
b) Non-recurrent	30.0	2.5	5.8	4.7	3.6	2.1
II. Customs, and taxes on beer, tobacco etc.						
a) Assigned	1 907.0	158.9	140.1	153.7	153.8	186.4
b) Other	52.3	4.4	10.7	6.9	7.5	3.1
III. Miscellaneous	-	-	0.1	-	-	-
TOTAL	6 465.3	538.8	608.4	485.0	435.4	651.4

The receipts for August are satisfactory: they exceed the monthly estimated average by 112.6 million RM, are less than those for July by 56.6 millions only and greater than those for May by 216 millions. The increase is mainly derived from the taxes on income, sales, transport etc.(surplus of 189.3 millions).

The Finance Minister has not yet made known the figure for the receipts he expected to obtain this month. The sources from which the increases in receipts are derived are shown below.

II. The second table shows the receipts from the Taxes on income, sales, transport, etc.

(in millions of RM)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS			
	Fin.year 1926-27	Monthly average	1st Qr. 1925-26 monthly	1st Qr. 1926-7 average	May 1926	August 1926
Income tax :						
a) on wages	-	-	131.7	83.6	82.6	93.1
b) on income from capital	-	-	13.1	13.5	9.8	3.3
c) on other forms of income	-	-	63.8	59.6	38.1	122.2
Total	2 100.0	175.0	208.6	156.7	130.5	218.6
Corporation tax	250.0	20.8	18.2	18.1	11.1	57.3
Tax on real and personal property	400.0	33.3	22.4	12.1	13.2	57.4
Turnover tax	974.0	81.2	123.6	75.1	61.8	62.0
Tax on Bourse transactions	50.0	4.2	4.9	3.5	3.7	5.1
Transport tax	325.0	27.1	27.1	25.3	21.7	28.7
Other taxes	377.0	31.4	46.9	28.9	28.5	30.7
Grand TOTAL	4 476.0	373.0	451.7	319.7	270.5	459.8

These receipts show an increase of 189.3 million RM over those for May.

The tax on wages for August, collected on 27 working days (period from July 21 to August 20), is at the same level as for July (26 working days). There is an increase of 10.5 millions over the amount of tax for May (26 working days). It is impossible to draw any serious conclusion as to the situation of the labour market, as we do not yet know the exact figures of the repayments effected in respect of taxes during each month - and which have been deducted from the receipts for this month; these repayments are probably becoming less and less (see Doc. 206).

The tax on other forms of income and corporation tax show on the receipts for May increases of 84.1 and 46.2 million RM. No provisional payment has fallen due during these months, but the amount to be assessed for these taxes for 1925 having been fixed and the tax papers despatched, certain taxpayers had to pay to the Finance Administration the balance of the taxes which were not covered by the provisional payments already effected.

A provisional payment in respect of the tax on real and personal property fell due on August 15 1926 and explains the increase in the receipts from this tax. It is the first regular instalment since the beginning of the financial year.

The receipts from turnover tax are about the same as for May.

The following table shows the figures for the volume of business calculated for each quarter, taking account of the variations in the rate of the tax. These figures show improved

commercial activity during the second quarter. It should be mentioned however that the operations formerly subject to the luxury tax of 7½ per cent and now (since April 1 1926) to the ordinary tax of 0.75 per cent are included for the second quarter* of 1926 in the estimates for the volume of business, which are thus slightly increased.

VOLUME OF BUSINESS PER QUARTER (in millions of RM)

	Year 1924	per cent **	Year 1925	per cent	Year 1926	per cent
1st quarter	15 121	100.0	25 112	166.1	23 999	158.7
2nd quarter	16 892	111.7	25 294	167.3	26 757	177.0
3rd quarter	19 265	124.7	25.962	171.7		
4th quarter	24 722	163.5	29 202	193.1		

The receipts from the tax on Bourse transactions, though 1.2 million less than in July, are nevertheless 1.4 million greater than those in May and show how considerable Bourse business has been.

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* During February, March and April 1926 (business from January to March), the luxury tax brought in 9.7 million RM. This tax having been fixed for this period at 7.5 per cent in general, a very rough calculation shows that the volume of business subject to this tax was something like 130 millions, and consequently almost negligible beside the volume of business subject to the ordinary tax.

** Percentage of the first quarter of 1924.

III. The third table gives the receipts from Customs and taxes on tobacco, beer etc. assigned.

(in millions of RM)

	ESTIMATED RECEIPTS		ACTUAL RECEIPTS			
	Fin. Year 1926-1927	Monthly average	1st quarter fin.year 1925-26	1st quarter fin.year 1926-27	May 1926	August 1926
Customs	580.0	48.3	37.2	55.3	54.8	64.8
Tobacco tax	655.0	54.6	50.7	43.7	44.8	52.8
Sugar tax	265.0	22.1	20.3	18.9	19.2	27.9
Beer tax	235.0	19.6	21.7	21.4	21.2	26.2
Spirits monopoly	172.0	14.3	10.2	14.4	13.8	14.7
	1 907.0	158.9	140.1	153.7	153.8	186.4

Apart from the Customs receipts, which were exceptionally considerable in July, all the taxes show considerable surpluses compared with June and May. The Customs receipts in August were alone 10 millions greater than in May. That is one of the first effects of the application of the new commercial agreements recently concluded.

The surpluses of the other taxes as compared with May are appreciable (Tobacco 8.0 millions; sugar 8.7 millions; beer 5 millions; spirits 0.9 million). All these increases partly depend on causes peculiar to each of these taxes, but they also reflect an increase in consumption (tobacco, beer).

M.H.

Translation 3562 (from the French:translated NL:checked JMP.

I.I.9.322 DOC. 212

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 4 1926.

FINANCES OF THE REICH.

RECEIPTS AND PAYMENTS OF THE REICH IN AUGUST 1926.

(cf. Doc. 207)

The Deutscher Reichsanzeiger No. 229 of October 1 1926 published the table of receipts and payments of the Reich in August 1926. The table is reproduced below together with the figures for May 1926, the corresponding month for the first quarter.

	1926			
	May	April-July	August	Total for first 5 months.
	(in million RM)			
A. ORDINARY BUDGET.				
REVENUE.				
a) Receipts from taxation	435.4	2 163.3	651.4	2 814.7
b) Administrative Receipts	46.7	109.5	31.0	140.5
Total receipts..	482.1	2 272.8	682.4	2 955.2
EXPENDITURE.				
a) General administrative	322.1	1 420.8	314.6	1 735.4
b) Payment of Reparations.....	17.8	69.0x)	26.5x)	95.5x)
c) Transfers to the Federal States	150.2	757.7	205.2	962.9
Total payments..	490.1	2 247.5	546.3	2 793.8
Book deficit....	8.0	-	-	-
Book surplus....	-	25.3	136.1xx)	161.4
Surplus from the financial years 1924 and 1925 distributed over each month:	30.6	122.4	30.6	153.0
Budget deficit..	-	-	-	-
Budget surplus..	22.6	147.7	166.7	314.4

x) Transport Tax.

xx) "The surplus is in the main derived from the particularly "high yield from the Income Tax and the Corporation Tax, out "of which about 110 million RM were repaid to the Federal "States and the Communes in September."

	1926			
	May	April-July	August	Total for first 5 months.
	(in million RM)			
B. EXTRAORDINARY BUDGET.				
Revenue.....	0.2	1.1	-	1.1
Expenditure.				
a) General administrative, including war expenditure.....	42.6	107.2	54.7	161.9
b) Payment of Reparations.....	19.9x)	84.1	20.0x)	104.1
Total payments.....	62.5	191.3	74.7	266.0
i.e. net expenditure to be met out of loans	62.3	190.2	74.7	264.9
C. REVENUE AND EXPENDITURE ACCOUNTED TO THE FINANCIAL YEAR 1925-1926.				
Revenue	11.7	45.8	-	45.8
Expenditure	86.4	227.0	38.4	265.4

STATE OF THE FLOATING DEBT ON	May 31 1926	July 31 1926	August 31,1926
1) Obligations to pay....	18.6	18.6	18.6
2) Guarantees	52.3	51.1	50.9
3) Loan from the Post Office	-	-	100.0xx)

x) Budgetary Contribution.

xx) "Hitherto expenditure in the Extraordinary Budget has been "met out of funds of the Reich. In order to relieve it-"self of part of this expenditure the Reich has borrowed "100 million RM, formerly otherwise employed, from the Post "Office postal cheque funds."

REMARKS.

The amount of surplus revenue in the Ordinary Budget is the highest reached since the beginning of the financial year. It amounts to 136.1 million RM and brings the total surplus for the first five months up to 161.4 million RM. If the surpluses from the preceding financial years are also taken into account, the figures rise to 166.7 and 314.4 million RM respectively. The exceptional returns from taxation in August were explained in Doc. No. 211.

Expenditure in the Extraordinary Budget (74.7 millions) remains as in the preceding month (74.8) and is composed of the same items. Total extraordinary expenditure to be met out of loans for the first five months of the financial year amounts to 264.9 million RM.

In spite of these satisfactory results the Treasury has had to borrow 100 million RM from the Post Office, on the postal cheque funds, in order to meet part of the expenditure in the Extraordinary Budget which has up till now been met out of funds available at the Treasury.

It should be noted that as the surplus in the Ordinary Budget for the first five months (not including the surpluses from the preceding Budgets) amounts to 161.4 millions, and expenditure to be met out of loans amounts to 264.9 millions, the loan from the Post Office covers all but 3.5 million RM of the deficit. The Reich has thus had to borrow instead of

drawing on surpluses of previous financial years. It is known that the latter amounted on May 1 1926 to 772 millions, but since that time they have been employed in a way which has rendered them less easily negotiable, and there appears to be no recent change in this respect.

(Signed) L. GAILLET-BILLOTTEAU.

Translation 3638 (from French): translated UP: checked RB.
MLG.

I.I.9.343 DOC. 213.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 9, 1926.

FINANCES OF THE REICH

POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT AUGUST 31, 1926.

(see Doc. 209)

The total figures of the Public Debt (not including the revalorised paper mark debt) are, according to "Wirtschaft und Statistik", as follows: (for details see attached table)

	millions of RM.
as at July 31, 1926	2,147.8
as at August 31, 1926	2,141.3
Decrease during August	6.5

The alterations in the various items are unimportant. The debt to the Rentenbank has been reduced by RM 2.3 millions representing interest paid by the owners of the mortgaged land. The Reichsmark value of the External Loan has been reduced by RM 4.0 millions as a result of regular payments to Sinking Fund.

It should be noted that the loan of RM 100 millions from the Postal Service, which was indicated in the Cash Statement of the Treasury at the end of August, is not mentioned in the Table.

PUBLIC DEBT OF THE REICH

in millions of RM *

	July 31, 1926	August 31, 1926
I. TREASURY BONDS		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	18.9	18.9
6 per cent redeemable in 1932	1.2	1.2
"K" Bonds	0.9	0.8
"E" Bonds	-	-
Total:	21.0	20.9
II. DEBTS TO BANKS		
Rentenbank	914.1	911.8
Reichsbank	217.4	217.4
Total:	1 131.5	1 129.2
III. EXTERNAL LOAN		
110 millions dollars	427.5	424.2
21.68 million pounds sterling	433.2	432.4
25.2 " Swedish crowns	27.9	27.9
100 " Lire	13.1	13.2
15 " Swiss francs	12.0	12.0
Total	913.7	909.7
IV. OTHER DEBTS		
Other commitments	18.6	18.6
Guarantees	51.1	50.9
Loan to Agriculture (Meliorationskredit)	12.-	12.-
Total	81.7	81.5
GRAND TOTAL ..	2 147.8	2 141.3

* Differences in the totals are due to the rounding off of the figures.

Translation 3666(from the French):translated JMP:checked CFH.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 16, 1926.

FINANCES OF THE REICH

TAX RECEIPTS FOR THE MONTH OF SEPTEMBER 1926

(see Doc. No. 211)

I. The Deutscher Reichsanzeiger No. 241 of October 15 1926 publishes the summary of Tax Receipts of the Reich for the month of September 1926. The usual tables showing the receipts from the various categories of taxation as compared with the receipts for the corresponding month of the preceding quarter will be found below.

TABLE I : AGGREGATE TAX RECEIPTS.
(in millions of RM)

	ESTIMATED RECEIPTS		RECEIPTS COLLECTED				
	Fin. Yr 1926/27	Monthly Average	Fin.Yr.1926-27 1st Qr Monthly Average	2nd Qr. Monthly Average	June 1926	Sept 1926	From Apl. 1 1926 to Sept.30 1926
I. Taxes on income, sales, transport, etc.							
a) recurrent	4 476.0	373.0	319.7	417.8	263.3	321.5	2 212.4
b) non-recurrent	30.0	2.5	4.7	2.9	2.4	2.3	22.9
II. Customs & taxes on beer, tobacco, etc.							
a) assigned	1 907.0	158.9	153.7	210.3	163.9	217.5	1 092.1
b) other	52.3	4.4	6.9	3.8	5.5	3.6	32.0
III. Miscellaneous	-	-	-	-	0.1	-	0.2
TOTAL	6 465.3	538.8	485.0	634.8	435.2	544.9	3 359.6

The receipts for September exceed those for June 1926 by 109.7 millions. The increase is distributed almost equally over the taxes on income, sales, transport etc. (+ 58.2 millions) and the Customs and other assigned revenues (+ 53.6 millions).

II. September marks the close of the first six months of the financial year. Assuming that the estimated receipts may be distributed almost equally over both halves of the financial year *, it will be found that the receipts for the first six months exceed the estimates by 127 millions. The surplus is derived from the Customs and the other assigned revenues (+ 138.6 millions), from the non-recurrent taxes (+ 7.9 millions) and from the other taxes on articles of consumption (+ 5.9 millions), whereas the recurrent taxes on income, sales, transport etc. show a deficit of 25.6 millions.

III. The result, which is in general favourable, is solely to be ascribed to the high receipts for the second quarter of the financial year, which, on an average, exceeded those for the first quarter by almost 150 millions a month. The increase is general.

IV. The second table shows the receipts from the taxes on income, sales, transport, etc.

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* The second six months should moreover yield a higher total in virtue of the Tax on Real and Personal Property, of which two instalments will fall due in that period, as compared with one only in the first six months.

(in millions of RM)

	ESTIMATED RECEIPTS		RECEIPTS COLLECTED				
	Fin. Yr 1926/27	Monthly Average	Fin.Yr. 1926-27 1st Qr. Monthly Average	Fin.Yr. 1926-27 2nd Qr. Monthly Average	June 1926	Sept 1926	From Apl. 1 1926 to Sept 30 1926
Income Tax:							
a) on wages	-	-	83.6	93.2	88.8	93.2	530.5
b) on income from capital	-	-	13.5	5.0	15.0	1.2	55.2
c) on other forms of income	-	-	59.6	109.4	20.2	63.4	507.3
Together	2 100.0	175.0	156.7	207.6	124.0	157.8	1 093.0
Corporation Tax:	250.0	20.8	18.1	47.8	7.0	20.6	197.8
Tax on Real and Personal Property	400.0	33.3	12.1	26.7	8.8	15.5	116.3
Turnover Tax	974.0	81.2	73.2	67.6	58.2	60.1	422.3
Tax on Bourse Transactions	50.0	4.2	3.5	6.1	2.7	7.0	29.0
Transport Tax	325.0	27.1	25.3	27.8	26.1	29.2	160.3
Other Taxes	377.0	31.4	30.8	34.2	36.5	31.3	193.7
	4 476.0	373.0	319.7	417.8	263.3	321.5	2 212.4

All the taxes indicated in the above table show an increase for September as compared with June (with the exception however of those entered under "Other Taxes", the reduction in which (5.2 millions) is due to the falling off in the receipts from the Automobile Tax).

The Tax on Wages for September, collected on 26 working days slightly exceeds (4.4 millions) the tax collected in June on 25 working days, and remains at the same level as the tax collected in August (26 working days).

No provisional instalment fell due in September; the increased returns recorded as compared with June, namely: RM 43.2 millions in the case of the tax on other forms of income and 13.6 millions in the case of the Corporation Tax, are to be attributed to the instalments paid in order to complete the Tax for 1925 as a result of the definitive fixing of the amount to be paid (See Doc. 211).

Similarly, the increased receipts from the Tax on Real and Personal Property are to be attributed to late payments of the provisional instalment due on August 15 last.

The receipts from the Turnover Tax (collected on August business) are still very low. They remain at the same level as the receipts collected in August (July business) but are slightly higher than those for June (May business).

The receipts from the Tax on Bourse Transactions are the highest recorded since the beginning of the financial year 1925, and reflect the activity of the Bourses.

V. A comparison of the receipts from the taxes for the first half year with the estimates shows the following surpluses or deficits: Income Tax : + 43; Corporation Tax : + 72.8; Tax on Bourse Transactions : + 4; Tax on Real and Personal Property : - 83.7; Turnover Tax : - 64.7; Transport Tax : - 1.2. In connection with the Tax on Real and Personal Property it must not be forgotten that owing to the abolition of the instalment due on May 15, only one provisional instalment has hitherto fallen due (August 15); 2 provisional instalments will fall due during the second six months of the financial year (November 15 and February 15).

VI. The receipts for the second quarter of the financial year show an appreciable increase over those for the first quarter (increase in the monthly average of 98.1 millions); only the receipts from the Turnover Tax show a falling off (an average of 5.6 millions a month), but it should be remembered that the receipts for April, the first month of the financial year, were still collected at the rate of 1 per cent, whereas the receipts for May and the following months were collected at the rate of 0.75 per cent *. This factor partly explains the reduction in the receipts during the second quarter.

VII. The third table shows the receipts from the assigned revenues, Customs and Taxes on Beer, Tobacco, etc.

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* Receipts for April 1926 : 99.6 millions; for May : 61.8 millions; for July : 80.6 millions and for August : 62.0 millions.

(in millions of RM)

	ESTIMATED RECEIPTS		RECEIPTS COLLECTED				
	Fin. Yr 1926/27	Monthly Average	Fin.Yr 1926-27 1st Qr. Monthly Average	2nd Qr. Monthly Average	June 1926	Sept 1926	From Apl 1 1926 to Sept. 30 1926
Customs	580.0	48,3	55.3	82.6	63.2	70.1	414.1
Tobacco Tax	655.0	54.6	43.7	56.7	42.4	67.9	301.0
Sugar Tax	265.0	22.1	18.9	28.5	21.2	32.4	142.2
Beer Tax	235.0	19.6	21.4	26.0	22.6	27.1	142.3
Spirits Monopoly	172.0	14.3	14.4	16.5	14.5	20.0	92.5
Total	1 907.0	158.9	153.7	210.3	163.9	217.5	1 092.1

The receipts from the Customs and the other assigned revenues for September (217.5 millions) exceed the receipts for August by 31.1 millions, and are only 9.5 millions less than the exceptionally high receipts collected for July (+ 113 millions).

The increase in the Customs receipts for September is partly to be attributed to the imports of cereals for which no deferred payment is allowed.

Substantial payments were made in the case of the Tobacco Tax, in virtue of the Specific Materials Tax (12.6 millions) and of the Tax on old stocks of Tobacco (Nachsteuer : 7.6 millions) - (see Doc. No. 198). In addition, the increase in the banderole

duty to 30 per cent (formerly 20 per cent) as from June 1 has led to an appreciable increase in the receipts. (The banderole duty is payable with a respite of three months).

The general increase in the other taxes may be ascribed to the increase in business.

VIII. The estimated receipts for the first six months of the financial year (953.5 millions) have been exceeded by 185 millions. The surplus may be distrinuted over the receipts from Customs (+ 124.1 millions), from the Sugar Tax (+ 9.7 millions) and from the Beer Tax (+ 24.8 millions). Conversely, the Tobacco Tax and the Spirits Monopoly show deficits of RM 27.5 and 43.5 millions respectively. As regards the Tobacco Tax, it is known that more substantial receipts are expected for the coming months as a result of the deferred payments allowed under the new legislation (Materialsteuer).

Lastly, in the case of these taxes as in the case of the first category, it will be noted that there is a considerable increase in the receipts for the second quarter of the financial year as compared with the first (+ 56.6 millions RM).

(Signed) L.G.B.

Translation 3699 (from the French. translated JMP: checked BWS.

FL.

I.F. 9.4140 DCC. ~~426~~ 415

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, October 9, 1926.

THE BALANCE SHEET OF THE RENTENBANK

AS ON SEPTEMBER 30 1926

(see Doc. N° 210)

The following is the comparison between the balance sheet of the Rentenbank as on September 30 1926 and the balance sheet as on August 31 1926.

	Balance sheet of September 30 1926. (in Rent.M.)	Difference as compared with that of August 31 1926 (in Rent. M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000	-
Rentenbriefe as on August 31 Rent.M. 1 699 844 000 September 30 " " 1 699 844 000		
Loans to the Reich	977 914 726.06	- 1 667 388.11
Outstanding credits	547 899 162.85	-
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	103 212 177.11	+ 2 716 308.84
Real property of the Bank	325 000	-
Office furniture and supplies	80 744.79	+ 1 312.20
Miscellaneous assets	3 262 318.50	+ 20 484.45

	Balance sheet of September 30 1926 (in Rent.M.)	Difference as compared with that of August 31 1926 (in Rent. M.)
LIABILITIES		
Capital	2 000 000 000	-
Rentenbank notes in circulation	1 496 854 485	- 1 667 388
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000	-
Carried forward	36 160 115.60	-
Reserves	6 095 252.50	+ 25 273.75
Miscellaneous liabilities	2 599.60	+ 1 142.1

During September 1926 a sum of 1 667 388.11 Rentenmarks, representing interest paid by the owners of mortgaged land, was paid into the Sinking Fund instituted at the Reichsbank. The items "Loans to the Reich" and "Rentenbank notes in circulation" are reduced by an equivalent amount.

Since the coming into force of the Law on the Liquidation of Rentenbank Notes (October 11 1924), the Sinking Fund has received the following sums:

Rentenmarks	117 085 273.94	in virtue of § 7a of the Law,
	105 000 000	in virtue of § 7b of the Law,
	67 793 963.46	in virtue of § 7c of the Law,
	293 444 861	in virtue of § 11 of the Law.
or a total of	583 324 098.40 Rt. M.	

Translation 3674 (from the French): translated BWS: Checked CFH.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, November 10,1926.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN SEPTEMBER 1926

(cf. Doc. 212)

The Deutscher Reichsanzeiger No.261 of November 8,1926 published the table of Receipts and Payments of the Reich in September 1926. The table is reproduced below together with the figures for June, the corresponding month for the first quarter.

	1 9 2 6			
	June	April - August	September	Total for 1st six months
	(in million RM)			
A. ORDINARY BUDGET				
REVENUE.				
(a) Receipts from taxation	453.3	2 814.7	544.9	3 359.6
(b) Administrative receipts	16.-	140.5	44.-	184.6
Total receipts	451.3	2 955.2	588.9	3 544.1
EXPENDITURE				
(a) General administrative	353.5	1 735.4	405.1	2 140.5
(b) Payment of reparations	28.3	95.5	41.5	137.-
(c) Transfers to the Federal States	153.6	962.9	319.4	1 282.3
Total payments	535.4	2 793.8	766.-	3 559.8

	1926			
	June	April-August	September	Total for 1st six months
	(in million RM)			
Book deficit	84.1	-	177.1	15.7
Book surplus	-	161.4	-	-
Surplus from the financial years 1924 and 1925 distributed over each month	30.6	153.-	30.9	183.9
Budget deficit	53.5	-	146.2	-
Budget surplus	-	314.4	-	168.2
B. EXTRAORDINARY BUDGET				
REVENUE.	0.3	1.1	-	1.1
EXPENDITURE :				
(a) General administrative including war expenditure	4.7	161.9	63.-	224.9
(b) Payment of reparations	15.2	104.1	-	104.1
Total payments	19.9	266.0	63.-	329.0
i.e. Net expenditure to be met out of loans	19.6	264.9	63.0	327.9
C. REVENUE AND EXPENDITURE ACCOUNTED TO THE FINANCIAL YEAR 1925-26				
REVENUE	-	45.8	2.7	48.5
EXPENDITURE	27.8	265.4	52.9	318.3

STATE OF THE FLOATING DEBT ON	June 30	August 31	September 30
(1) Obligations to pay	18.6	18.6	18.6
(2) Guarantees	51.0	50.9	50.9
(3) Loan from the Post Office	-	100.0	100.0

The position of ordinary Revenue and expenditure for September points to a deficit of 177.1 million RM. The surplus of receipts since the beginning of the year to the amount of 161.4 millions on August 31 is changed on September 30 into a deficit of 15.7 million RM.

The September deficit is due exclusively to increased expenditure. The receipts from taxation were satisfactory (see Doc. 215) and the administrative receipts exceed those for June by 28 millions, those for July by 3.2 millions and those for August by 13 millions.

As compared with the same month, the expenditure shows an increase of 230.6, 119.5 and 219.7 million RM respectively. The application of new measures for unemployment relief is no doubt responsible for part of the increase in general administrative expenditure. The figure given for the payment of reparations is the exact sum paid in September . These payments included :

1. For the account of the second reparation year, the balance outstanding from the Transport Tax 8.08 million RM
2. For the account of the third reparation year,
   a) 1/12 of the budgetary contribution 9.15 "
   b) the agreed payment for the Transport Tax 22.43 "
   c) the first payment for the reserve of the Commissioner of Controlled Revenues 1.83 "

It will be recalled that as from the third reparation year (September 1,1926) the expenditure in respect of the budgetary contribution is charged to the ordinary Budget in which the reserve of the Commissioner of Controlled Revenues also appears (1).

The increase in the transfers to the Federal States must be due to the outstanding sums due in respect of August taxes (110 millions) but not paid until September (see Doc.212).

The general administrative expenditure under the Extraordinary Budget has increased as a result of the application of the programme for combating unemployment. Reparation payments are no longer included. The total extraordinary expenditure to be covered by loan amounted on September 30 1926 to 327.9 million RM as against 264.9 millions on August 31; it now exceeds the total provided for the whole financial year (293.8 million RM). If account is taken of the surplus under the ordinary Budget (including the surpluses of previous financial years), the net deficit is 159.7 million RM.

There is no change in the total for the floating debt.

(signed) L. GAILLET-BILLOTTEAU.

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(1) Under the Supplementary Budget now submitted, it is proposed to transfer the payments for the constitution of this reserve to the Extraordinary Budget, to be covered by loan.

Translation 3783 (from the French): translated BWS :checked RB.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 15,1926.

THE BALANCE SHEET OF THE RENTENBANK OCTOBER 31, 1926.

(see Doc. No. ~~185~~ 215).

The following is the comparison between the balance sheet of the Rentenbank as on October 31, 1926 and the balance sheet as on September 30, 1926.

	Balance sheet of October 31,1926 (in Rent.M.)	Difference as compared with that of September 30, 1926 (in Rent.M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.	-
Rentenbriefe as on Sept.30,1926 Rent.M. 1 699 844 000 " " Oct. 31,1926 1 699 844 000		
Loans to the Reich	960 468 522.08	- 17 446 203.98
Outstanding credits	547 899 162.85	-
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	105 676 334.74	+ 2 464 157.63
Real property of the Bank	325 000.	-
Office furniture and supplies	82 568.19	+ 1 823.40
Miscellaneous assets	3 242 134.25	- 20 184.25
L I A B I L I T I E S.		
Capital	2 000 000 000.	-
Rentenbank notes in circulation	1 479 408 281.	- 19 446 204.

	Balance sheet of October 31,1926 (in Rent.M.)	Difference as compared with that of September 30, 1926 (in Rent.M.)
LIABILITIES (continued).		
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000.	
Carried forward	36 160 115.60	-
Reserves	6 095 252.50	-
Miscellaneous liabilities	412.50	- 2 187.10

The following sums have been paid into the Sinking Fund instituted with the Reichsbank: in virtue of § 7a of the Law on the liquidation of Rentenbank notes - Rentenmark 2 446 203.98 representing interest paid by the owners of the mortgaged land; in virtue of § 7b (payments by the Reich) - Rentenmark 15 000 000. being the quarterly amount due on October 1; the items "Loans to the Reich" and "Rentenbank notes in circulation" have been reduced by an equivalent amount.

Since the Law on the liquidation of Rentenbank notes became effective (October 11,1924) the following amounts have been paid into the Sinking Fund:

Rentenmark	119 531 477.92	in virtue of § 7a of the Law
"	120 000 000.	" " " § 7b " " "
"	67 793 963.46	" " " § 7c " " "
"	293 444 861.	" " " § 11 " " "
Total....	600 770 302.38	

Transl.3798.

I.I.9.321. DOC. 218.

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, November 16, 1926.

FINANCES OF THE REICH

TAX RECEIPTS FOR THE MONTH OF OCTOBER 1926.

(See Doc. No. 214).

I. The Deutscher Reichsanzeiger No. 267 of November 15, 1926 publishes the summary of Tax Receipts of the Reich for the month of October 1926. The usual tables showing the receipts from the various categories of taxation as compared with the receipts for the corresponding month of the preceding quarter will be found below.

TABLE I : AGGREGATE TAX RECEIPTS

(in millions of RM)

	Estimated Receipts		Receipts Collected				
	Fin.Yr. 1926/27	Monthly Average	Fin.Yr. 1926-27 1st Qr. Monthly Average	Fin.Yr. 1926-27 2nd Qr. Monthly Average	July 1926	Oct. 1926	From April 1, 1926 to October 31, 1926.
I. Taxes on income, sales, transport, etc.							
a) recurrent	4 476.0	373.0	319.7	417.8	472.1	523.6	2 736.0
b) non-recurrent	30.0	2.5	4.7	2.9	4.3	11.3	34.2
II. Customs & taxes on beer, tobacco, etc							
a) assigned	*1 997.0	166.4	153.7	210.3	227.0	202.4	1 294.5
b) other	52.3	4.4	6.9	3.8	4.6	3.7	35.7
III. Miscellaneous	-	-	-	-	-	-	0.2
Total:	6 555.3	546.3	485.0	634.8	708.0	741.0	4 100.6

* The table in the Reichsanzeiger indicates for the first time, under the estimated receipts, the 90 millions of supplementary receipts provided for under the heading of Customs, in the Draft Budget Supplement for 1926, at present before the Reichstag.

The receipts for October, which include provisional and quarterly instalments are invariably large, but those for October 1926 are particularly satisfactory. They exceed the receipts for July by 33 millions, and approximate the maximum obtained since the stabilisation in January 1925, namely 768.8 millions, despite the tax reductions introduced since that date. The increased receipts as compared with July are derived from the non-recurrent taxes on income, sales, transport etc (+ 51.5 millions), whereas the Customs and the other assigned revenues show a reduction of 24.6 millions, the reasons for which are indicated below.

The increase in the non-recurrent taxes on income, sales, transport etc. is due to the payment on October of a six-months' instalment of the Tax on Revaluated Bonds, which yielded RM. 11 millions. The preceding instalment due on April 1, 1926 only yielded 7.6 millions.

II. The following table shows the receipts from the taxes on income, sales, transport, etc.

	Estimated Receipts		Receipts Collected				
	Fin.Yr. 1926/27	Monthly Average	Fin.Yr. 1926-27 1st Qr. Monthly Average	2nd Qr. Monthly Average	July 1926	Oct. 1926	From April 1, 1926 to Oct 31 1926.
Income Tax a) on wages.....	-	-	83.6	93.2	93.3	95.9	626.4
b) on income from capital....	-	-	13.5	5.0	10.3	8.4	63.6
c) on other forms of income.....	-	-	59.6	109.4	142.7	182.7	690.0
Together.....	2 100.0	175.0	156.7	207.6	246.3	287.0	1 380.0
Corporation Tax	250.0	20.8	18.1	47.8	65.5	68.1	265.9
Tax on real and personal property....	400.0	33.3	12.1	26.7	7.1	10.2	126.5
Turnover Tax.....	974.0	81.2	73.2	67.6	80.7	87.8	510.0
Tax on Bourse transactions.....	50.0	4.2	3.5	6.1	6.3	5.3	34.3
Transport Tax	325.0	27.1	25.3	27.8	25.4	28.2	187.5
Other Taxes	377.0	31.4	30.8	34.2	40.8	37.0	231.8
TOTAL	4 476.0	373.0	319.7	417.8	472.1	523.6	2 736.0

The yield from the provisional instalments due in October in respect of the "tax on other forms of income" and Corporation Tax, exceeds by 40 and 2.6 millions the payments made in respect of these taxes in July last. These increases are partly derived from the additional payments made in order to complete the definitive tax for 1925 (see document 214). It may be observed that the receipts from the Corporation Tax have already exceeded the estimates for the entire financial year, and that a further provisional instalment falls due

in January next.

The tax on wages for October (95.9 millions) shows an advance of 2.6 - 2.8 millions over the receipts for the three preceding months, which fluctuated between 93.1 and 93.3 millions. The increase does not appear to reflect an improvement in the labour market; in fact, the receipts for the preceding months were collected on 26 working days, whereas the October receipts relate to 27 days.

An additional quarterly instalment fell due in October in respect of the Turnover Tax. The payment in question was made by certain taxpayers on account of business transacted during the second quarter of the financial year. It is therefore possible to complete the table, published in the preceding reports, estimating the volume of business for each quarter, in terms of the receipts and of the rate of the tax for the respective quarters.

VOLUME OF BUSINESS PER QUARTER (millions of RM)

	Year 1924		Year 1925		Year 1926	
		percentage *		percentage *		percentage *
1st quarter	15 121	100	25 112	166.1	23 999	158.7
2nd "	16 892	111.7	25 294	167.3	26 758	177.0
3rd "	19 265	124.7	25 962	171.7	27 973	184.9
4th "	24 722	163.5	29 202	193.1		

The increase in business, already recorded for the second quarter of 1926, continued during the third. It should, however, be noted that a similar improvement regularly occurred during the preceding years between the second and third quarters.

* Percentage of the 1st quarter of 1924.

The receipts from the tax on Bourse transactions (RM. 5.3 millions) was slightly lower than those for September (7.0) and for July (6.3), but are practically equivalent to those for August (5.1 millions).

III. The third table shows the receipts from the assigned revenues Customs and taxes on beer, tobacco, etc.

(in millions of RM)

	Estimated Receipts		Receipts Collected				
	Fin.Yr. 1926/27	Monthly Average	Fin.Yr.1926-27 1st Qr. Monthly Average	Fin.Yr.1926-27 2nd Qr. Monthly Average	July 1926	Oct. 1926	From April 1, 1926 to October 31, 1926.
Customs	670.0	55.8	55.3	82.6	113.0	76.7	490.5
Tobacco Tax	655.0	54.6	43.7	56.7	49.4	73.3	374.3
Sugar Tax	265.0	22.1	18.9	28.5	25.2	15.5	157.7
Beer Tax	235.0	19.6	21.4	26.0	24.7	21.9	164.2
Spirits Monopoly	172.0	14.3	14.4	16.5	14.7	15.0	107.5
Total	1 997.0	166.4	153.7	210.3	227.0	202.4	1 294.5

The receipts for these revenues for October are 24.6 millions less than those for July. The items showing a reduction are the Customs (-36.3 millions) and the Sugar Tax (- 9.7 millions), the other taxes showing increases.

With regard to the Customs, substantial six-monthly instalments increased the receipts for July, so that that month cannot serve as a basis of comparison. The October receipts compared with those for September show an increase of 6.6 millions.

It will be remembered that the Sugar Tax is payable the last day of the month and, when the last day falls on a Sunday, as in October, the

payments are carried forward to the following day and are shown in the receipts for the following month. The falling-off in the receipts from the sugar tax for October will doubtless be counterbalanced by an increase in the November receipts.

The Tobacco Tax shows an increase of 5.4 millions as compared with September. The tax on raw materials and the supplementary tax remain at practically the same level. The improvement is due to the Banderole duty (+ 5.1 millions). The increase in the duty from 20 to 30 per cent affected the whole of the October receipts, whereas the September receipts were only affected to the extent of 50 per cent.

The reduction in the Beer Tax for October (of 5.3 millions as compared with September) is due to seasonal considerations. The receipts are, however, higher than those for October 1925 (20.9 millions).

Lastly, the receipts from the Spirits Monopoly*, which in September had increased as a result of abnormal sales (in anticipation doubtless of a possible increase in the tax) show a falling-off of 5 millions for October, but remain practically at the same level as the receipts for the other preceding months.

M. H.

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* In Doc. 214 the receipts from the Spirits Monopoly were erroneously indicated as being less than the estimates, for the first six months. In reality, they exceeded during the first six months the estimates of 6.5 millions.

Translation 3823 (from the French) translated JMP: checked RB.
DLC.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, November 17, 1926.

FINANCES OF THE REICH

POSITION OF THE PUBLIC DEBT OF THE REICH

AS AT SEPTEMBER 30, 1926.

(see Doc. No. 213)

According to Wirtschaft und Statistik No. 20, the total figures of the Public Debt (not including the revalorised Paper Mark debt) were as follows on September 30 1926: (The details are shown in the attached table).

	Millions of RM
as at August 31, 1926	2 241.3
" " September 30, 1926	2 240.0
Reduction during September	1.3

It will be observed from the attached detailed table that the 100 millions borrowed by the Reich from the Postal Service, omitted in the Statement of the Public Debt as at August 31 (see Doc. 213), have been reinserted in the new statement for the two months.

The alterations in the various items are unimportant.

The debt to the Rentenbank has been reduced by RM 1.7 millions, representing interest paid by the owners of the mortgaged land. Conversely, the Reichsmark value of the German External Loan 1924, despite regular payments to sinking fund, has increased by RM 0.4 millions. The increase is due to the improvement in the lire during September.

PUBLIC DEBT OF THE REICH

(in millions of RM)(1)

	August 31 1926	September 30 1926
I. TREASURY BONDS:		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	18.9	18.9
6 per cent redeemable in 1932	1.2	1.2
"K" Bonds	0.8	0.8
"E" Bonds	-	-
Total:	20.9	20.9
II. DEBTS TO BANKS:		
Rentenbank	911.8	910.1
Reichsbank	217.4	217.4
Total:	1 129.2	1 127.6
III. EXTERNAL LOAN:		
110 million dollars	424.2	422.8
21.68 million pounds sterling	432.4	432.2
25.2 " Swedish crowns	27.9	27.8
100 " Lire	13.2	15.2
15 " Swiss francs	12.0	12.0
Total:	909.7	910.1
IV. OTHER DEBTS:		
Commitments	18.6	18.6
Guarantees	50.9	50.9
Loan to Agriculture (Meliorationskredit)	12.0	12.0
Loan from the Reichspost	100.0	100.0
Total:	181.5	181.5
GRAND TOTAL:	2 241.3	2 240.0

(1) Differences in the totals due to the rounding off of the figures.

Translation 3791.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 6 1926.

FINANCES OF THE REICH.

RECEIPTS AND PAYMENTS OF THE REICH IN OCTOBER 1926.

(Cf. Doc. 216)

The Deutscher Reichsanzeiger No. 283 of December 4 1926 published the table of Receipts and Payments of the Reich in October 1926. The table is reproduced below together with the figures for July, the corresponding month for the second quarter:

	1 9 2 6			
	July	April-September	October	Total for 1st seven months
	(in million RM)			
A. ORDINARY BUDGET				
REVENUE.				
(a) Receipts from taxation	708.0	3 359.6	741.0	4 100.6
(b) Administrative receipts	40.8	184.5	45.0	229.5
Total receipts	748.8	3 544.1	786.0	4 330.1
EXPENDITURE.				
(a) General administrative	376.9	2 140.5	364.1	2 504.6
(b) Payment of reparations	22.9	137.0	51.4	188.4
(c) Transfers to the Federal States	246.7	1 282.3	203.8	1 486.1
Total payments	646.5	3 559.8	619.3	4 179.1

	1 9 2 6			
	July	April-September	October	Total for 1st seven months
	(in million RM)			
Book deficit		15.7		
Book surplus	102.3		166.7	151.0
Surplus from the financial years 1924 and 1925 distributed over each month	30.6	183.9	36.0	219.9
Budget deficit	-	-	-	-
Budget surplus	132.9	168.2	202.7	370.9
B. EXTRAORDINARY BUDGET				
REVENUE.	0.5	1.1	0.2	1.3
EXPENDITURE.				
(a) General administrative including war expenditure	54.8	224.9	63.9	288.8
(b) Payment of reparations	20.0	104.1	-	104.1
Total payments	74.8	329.0	63.9	392.9
i.e. Net expenditure to be met out of loans	74.3	327.9	63.7	391.6
C. REVENUE AND EXPENDITURE ACCOUNTED TO THE FINANCIAL YEAR 1925-26				
REVENUE.	12.1	48.5	-	48.5
EXPENDITURE.	33.1	318.3	15.3	333.6

STATE OF THE FLOATING DEBT ON	July 31	September 30	October 31
(1) Obligations to pay	18.6	18.6	9.7
(2) Guarantees	51.1	50.9	50.9
(3) Loan from the Post Office	-	100.0	70.0

OBSERVATIONS.

I. In regard to the Ordinary Budget, October shows a surplus of 166.7 million RM, the deficit of 15.7 million as at September 30 being thus changed into a surplus of 151 millions on October 31.

The considerable surplus for October is to be attributed at once to the particularly large proceeds from the tax receipts during that month (see document 218) and to an appreciable fall in payments. Payments in October were 146.7 millions less than in September and 27.2 millions less than in July, though 73 millions more than in August. Nevertheless, this fall is more apparent than real; in fact, it is indicated in a note that arrears of transfers were effected to the States to an amount of 109 million RM in November only in respect of taxes collected in October. If account is taken of this payment, it will be found that payments are only 37.7 million RM less than in September and that the surplus of receipts over payments in October is reduced to 57.7 million RM.

II. The figure for reparation payments indicated for October (51.4 million RM) corresponds approximately to the payments effected (account being taken of the slight superiority of the Reichsmark over the Gold Mark). These payments included:

(a)	normal budgetary contributions	9.17	million G.M.
(b)	supplementary budgetary contribution	18.00	" "
(c)	Transport Tax	22.50	" "
(d)	payment for the reserve of the Commissioner of Controlled Revenues	1.83	" "

All these payments are under the Ordinary Budget(1).

(1) Including the payment for the reserve of the Commissioner of Controlled Revenues, the supplementary Budget transferring it to the Extraordinary Budget not being yet voted.

III. As regards the Extraordinary Budget, the general administrative expenditure (63.9 millions) is about the same as that for September (63 millions). The total extraordinary payments to be covered by loans amounted on October 31 to 391.6 million RM., as against 327.9 millions on September 30. It is known that the Supplementary Budget, at present before Parliament, shows the total expenditure to be covered by loans for the financial year at 866.4 millions.

Thanks to the proceeds from taxation in October and taking account of the surplus on the Ordinary Budget (including the surpluses of preceding financial years), the net deficit is reduced to 20.7 million RM for the first 7 months of the financial year.

FLOATING DEBT.

As compared with September 30, the Floating Debt as at October 31 showed the following modifications:

Obligations to pay (dollar Treasury Bonds issued in the United States before that country came into the war) had decreased by 8.9 million RM (it should be remembered that a credit of 12.3 million RM is asked for in the Supplementary Budget for 1926 for the writing off of this debt).

30 millions had been repaid on the loan of 100 millions from the Postal Service indicated above.

The figure for Guarantees remained what it was - 50.9 million RM.

Translation 3910 (from the French): translated HL: checked BWS.

KFD

I.I.9.343 DOC. 221

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, December 10,1926.

FINANCES OF THE REICH

POSITION OF THE PUBLIC DEBT AS AT OCTOBER 31,1926

(see Doc. N°. 219)

According to Wirtschaft und Statistik N°. 21, the total figures of the Public Debt (not including the revaluated Paper-mark debt) were as follows as at October 31 1926. (Details are shown in the attached table).

	Millions of RM.
As at September 30 1926	2 240.0
As at October 31 1926	2 180.7
Reduction for October	59.3

The reduction may be explained as follows :

The Treasury Bond debt remains unchanged at RM 20.9 millions.

The debt to the Rentenbank has been reduced by RM.17.4 millions composed of (1) 15 millions representing the quarterly contribution of the Reich, and (2) 2.4 millions of interest paid by the owners of the mortgaged land.

The Reichsmark value of the German External Loan 1924 has been reduced by RM 3 millions, as a result of regular

payments to Sinking Fund (allowance being however made for the variations in the exchange rates).

Among the miscellaneous items a reduction of 8.9 millions will be observed in Other Commitments (bonds issued in the United States before the entry of that Power into the War). A repayment of 30 millions has been made on the 100 million mark loan from the Postal Service, to which reference has already been made.

PUBLIC DEBT OF THE REICH

(in millions of RM)

		September 30 1926.	October 31 1926.
I.	TREASURY BONDS		
	Paper marks	0.0	0.0
	6 per cent redeemable in 1935	18.9	18.9
	6 per cent redeemable in 1932	1.2	1.2
	"K" Bonds	0.8	0.8
	"E" Bonds	-	-
	Total :	20.9	20.9
II.	DEBTS TO BANKS		
	Rentenbank	910.1	892.7
	Reichsbank	217.4	217.4
	Total :	1 127.5	1 110.1
III.	EXTERNAL LOAN		
	110 million dollars	422.8	423.4
	21.68 million pounds sterling	432.2	427.2
	25.2 " Swedish crowns	27.8	27.4
	100 " Lire	15.3	17.4
	15 " Swiss francs	12.0	11.7
	Total :	910.1	907.1
IV.	OTHER DEBTS		
	Other commitments	18.6	9.7
	Guarantees	50.9	50.9
	Loan to Agriculture	12.0	12.0
	Loan from the Reichspost (Postal Service of the Reich)	100.0	70.0
	Total :	181.5	142.6
	GRAND TOTAL . . .	2 240.0	2 180.7

Translation 3928. (From the French); Translated JMP; Checked BWS.

TRANSFER COMMITTEE
ECONOMIC SERVICE

BERLIN, December 13, 1926.

FINANCES OF THE REICH.

STATEMENTS OF THE FINANCE MINISTER OF THE REICH ON THE BUDGET SITUATION AND THE PROSPECTS OF A LOAN.

On December 9, the Finance Minister made the following statements to the Budget Committee of the Reichstag on the occasion of the debate on the supplementary estimates (according to the Reichsanzeiger of December 11, No. 289):

"With regard to the financial position of the budget year, the Minister stated that he had succeeded in reducing the public charges with a view to facilitating the restoration of German economy. With regard to these measures the Report of the Agent General for Reparation Payments itself said that the tax reductions of the Spring had been very favourable for trade. In addition, the Minister had taken care that the funds accumulating in the public revenue offices and hitherto utilised only for day to day loans (Tagesgeld) - with the result that a large portion of these funds found their way to the Bourse - were now converted into productive work. Apart from the financing of many other undertakings in this way it had been possible, by means of these measures, appreciably to check unemployment. Finally, by means of export insurance these funds had enabled Germany's export

facilities to be considerably increased.

With regard to the estimates for the financial years 1927 and 1928, the Minister said that the position was very strained. The German economy could not bear such an excessive burden of taxation for any length of time. We shall however - continued the Minister - have to reckon on Germany's continuing to bear an excessively heavy burden of taxation during the years to come. The possibility of temporarily alleviating the tax charges on economy was only afforded by the distinction drawn between the Ordinary and the Extraordinary Budget. The memorandum called for by Deputy Hergt (leader of the German Nationalist party) on the principles underlying the borrowing of the Reich would probably be laid before the Reichstag before Christmas .....

The Minister agreed that in future the supplementary estimates should only include a very small figure for expenditure, but in so far as the present supplementary estimates were concerned, it should not be forgotten that on the whole they merely presented an enumeration of expenditure approved by the Reichstag. The Reich's need of a loan of 1 milliard practically only existed on paper. In fact, expenditure had not hitherto been covered by borrowing, but as the accounts showed, from ordinary revenue and available funds. As a matter of form, it was necessary, for the purposes of the budget accounts, to indicate in the estimates an amount to be covered by loan. But the Minister could assure his hearers that the issue of such a

loan would not be required either this year, or even in the course of thepresent financial year, unless exceptional and unforeseen circumstances arose. From the budget standpoint, the Minister emphasised the fact that the Reich had not, as was often alleged by the less responsible newspapers, contracted any substantial debt in 1926, but had, on the contrary, by repaying various debts, considerably reduced its obligations. Assuredly, the financial position for the year 1927 was extremely strained since only the non-recurrent revenue for 1926 would then be available. It had however been possible to balance the Ordinary Budget for 1927 also."

OBSERVATIONS.

The Minister's allusion to non-recurrent revenue (according to certain Press reports, he even indicated the sum of 600 millions) clearly relates to the surpluses for the preceding financial year (RM 400.1 millions) and to the profit by way of seignorage on coinage (RM 294.6 millions) which for the greater part will not occur in 1927.

It should also be remarked that when speaking of a loan, the Minister was doubtless unwilling to prevent himself from having recourse to the measures of provisional credit at his disposal (issue of Treasury Bonds to the amount of 400 millions and loan from the Reichsbank to the amount of 100 millions).

Reports coincide in stating that the Reich proposes to have recourse to these means during the present financial year, in order to finance the expenditure of the Extraordinary Budget, in the event of the surpluses and reserves proving inadequate.

(Signed) L. GAILLET-BILLOTTEAU

Translation 3935 (from the French): translated JMP: checked NL.

CG.

I.I. 9.321 DOC. 223

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, December 20, 1926.

FINANCES OF THE REICH

TAX RECEIPTS FOR THE MONTH OF NOVEMBER 1926.

(Cf. Doc. N° 218)

I. The Deutscher Reichsanzeiger No 293 of December 16 1926 publishes the summary of the Tax Receipts of the Reich for the month of November 1926. The following table shows the receipts from the various categories of taxation as compared with the receipts for the corresponding month of the preceding quarter.

TABLE I. AGGREGATE TAX RECEIPTS
(in millions of RM.)

	Estimated Receipts		Receipts collected				
	Fin. Yr. 1926-27	Monthly Average	Fin. Yr. 1926-27 1st Qr. Monthly Average	Fin. Yr. 1926-27 2nd Qr. Monthly Average	August 1926	Nov. 1926	From April 1 1926 to November 30 1926
I. Taxes on income, sales, transport, etc..,							
a) recurrent	4 476.0	373.0	319.9	417.8	459.8	398.6	3 134.6
b) non-recurrent	30.0	2.5	4.7	2.9	2.1	4.0	38.2
II. Customs and taxes on tobacco, beer, etc...							
a) assigned	1 997.0	166.4	153.7	210.3	186.4	219.0	1 513.5
b) other	52.3	4.4	6.9	3.8	3.1	3.7	39.4
III. Miscellaneous	-	-	-	-	-	-	0.2
Total	6 555.3	546.3	485.0	634.8	651.4	625.3	4 725.9

Only one provisional payment (in respect of the Tax on Real and Personal Property) goes to swell the receipts for the second month of each quarter; the receipts for November thus fell short of those for October by 115.7 million RM, although they exceed the monthly average of the estimated total by 79.0 millions (1). As compared with the receipts for August, the corresponding month of the preceding quarter, the decrease is 26.1 millions due to a fall in the proceeds from the taxes on income, sales, transport, etc. (- 61.2 millions) which is partly counterbalanced by an increase of 32.6 millions in the Customs and taxes on tobacco, beer, etc. assigned as security. As will be explained below, the August receipts were to a certain extent abnormal, and comparison between the November receipts and those for May (the corresponding month of the first quarter) reveals an increase of 189.9 millions (2).

II. The following table shows the receipts from the taxes on <u>income</u>, sales, transport, etc.

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(1) In the course of the Reichstag debate on the supplementary Budget for 1926/1927, the Government agreed to raise the figure for the increased revenue to be expected from taxation from 90 to 200 millions (see Doc. No.218). The estimated revenue from taxation is thus raised to 6 665.3 millions, and the monthly average works out at 555.4 millions.

(2) It should however be mentioned that during May no instalment fell due of the Tax on Real and Personal Property.

(in millions of RM.)

	Estimated receipts		Receipts collected				
	Fin. Yr. 1926-27	Monthly Average	Fin. Yr. 1926-27 1st Qr. Monthly Average	2nd Qr. Monthly Average	August 1926	Nov. 1926	From April 1 1926 to November 30 1926
Income Tax							
(a) on wages	-	-	83.6	93.2	93.1	97.7	724.1
(b) on income from capital	-	-	13.5	5.0	3.3	4.6	68.2
(c) on other forms of income	-	-	59.6	109.4	122.2	71.6	761.6
Together	2 100.0	175	156.7	207.6	218.6	173.9	1 553.9
Corporation Tax	250.0	20.8	18.1	47.8	57.3	16.8	282.7
Tax on Real and Personal Property	400.0	33.3	12.1	26.7	57.4	73.8	200.3
Turnover Tax	974.0	81.2	73.2	67.6	62.0	66.5	576.5
Tax on Bourse transactions	50.0	4.2	3.5	6.1	5.1	10.3	44.6
Transport Tax	325.0	27.1	25.3	27.8	28.7	26.9	214.4
Other Taxes	377.0	31.4	30.8	34.2	30.7	30.4	262.2
	4 476.0	373.0	319.7	417.8	459.8	398.6	3 134.6

The Tax on Wages for November (97.7 millions), which was collected for 26 working days (period from October 21 to November 20, with allowance for the observance of Busstag as a holiday), shows an increase of 1.8 millions over the October receipts (95.9 millions - 27 working days) and of 4.4 to 4.6 millions over the receipts for the three preceding months (receipts fluctuating between 93.1 and 93.3 millions RM- 26 working days). This increase in receipts is to be attributed in part at least to the application of a circular issued by the Finance Minister in November, according to which - contrary to the practice observed in the past - the wages of unemployed persons occupied in work

organised for them (Notstandsarbeiter) are liable to the tax.

The Tax on other forms of income (71.6 millions) and the Corporation Tax (16.8 millions), for which no provisional payments fell due, show decreases of 50.6 and 40.5 million RM respectively as compared with the August receipts (122.2 and 57.3 million RM). It will be recalled that the August receipts were augmented by the supplementary payments due as a result of the establishment of the tax assessment for the financial year 1925 and of the despatch of tax forms (see Doc. No 211). The receipts from these taxes for May, the corresponding month of the first quarter, were 38.1 and 11.1 millions.

The payments in respect of the Tax on Real and Personal Property which fell due on November 15 (73.8 millions) exceeded the corresponding payments in August (57.4 millions) by 16.4 millions (1).

The receipts for the Turnover Tax (66.5 millions), which are marked by great stability, are slightly larger than those for August (62.0 millions) and May (61.8 millions).

The month of November was marked by great activity on the Bourse. The sums collected on Bourse transactions (10.3 millions) represent the maximum hitherto attained, and exceed by 3.3 millions the previous maximum of 7.0 million RM obtained in September.

III. The third table shows the receipts from the assigned revenues, customs and taxes on tobacco, beer, etc.

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(1) The November payment included a semi-annual payment by agriculturalists, which explains the increased returns for November. Facilities were, however, granted to taxpayers of this class, which make it seem probable that part of the payments will not be effected until December.

(in millions of RM)

	Estimated receipts		Receipts collected				
	Fin. Yr. 1926-27	Monthly Average	Fin. Yr. 1926-27 1st Qr. Monthly Average	2nd Qr.	August 1926	Nov. 1926	From April 1 1926 to November 30 1926
Customs	670.0	55.8	55.3	82.6	64.8	76.6	567.4
Tobacco Tax	655.0	54.6	43.7	56.7	52.8	73.5	447.8
Sugar Tax	265.0	22.1	18.9	28.5	27.9	29.8	187.5
Beer Tax	235.0	19.6	21.4	26.0	26.2	20.1	184.3
Spirits Monopoly	172.0	14.3	14.4	16.5	14.7	19.0	126.5
Total	1 997.0	166.4	153.7	210.3	186.4	219.0	1 513.5

The Customs receipts for November (76.6 million RM) are at approximately the same level as those for the preceding month (76.7 million RM). The same is true of the receipts for the Tobacco Tax (73.5 as against 73.3 million RM in October). A decrease in the proceeds of the tax on banderoles (- 3.5 million RM) was counterbalanced by higher returns from the specific materials tax (+ 3.6 millions).

The proceeds of the Sugar Tax (29.8 millions) are 14.3 millions larger than those for October (15.5 millions). It will be recalled that the payments of this tax which fell due on Sunday October 31 were postponed until the following November 1 and are included in the November receipts, which are 1.9 millions larger than the receipts for August.

The proceeds of the Beer Tax (20.1 millions in November), which are subject to seasonal variations, show a decrease of 1.8 millions as compared with October and of 6.1 millions as compared with August.

The Spirits Monopoly (19.0 million RM) shows an increase of 4.0 millions as compared with October and 4.3 millions as compared with August. These increases are due to the rise in sales in anticipation of a possible increase in the tax.

IV. To sum up, the receipts are still satisfactory and are considerably in excess of the estimates.

M.H.

Translation 3953 (from the French): translated BWS: checked RB.

MMB.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, December 21,1926.

PUBLIC FINANCE

EXCEPTIONAL GRANTS FOR CHRISTMAS.

(officials, civil and military pensioners, unemployed, annuity holders in necessitous circumstances,etc.)

On November 25, 1926, the Government decided to ask the Reichstag to vote the necessary funds for the distribution of exceptional grants for Christmas as had been done the year before (see Doc.No.161).

The Government proposals were partly increased and voted by the Reichstag before the session closed. Communiqués dated December 17th contain the measures adopted.

I. A. OFFICIALS AND PENSIONERS.

The grant was graduated as follows:

Officials in Classes I to IV	...	one quarter	of their total December pay.
Officials in Classes V to XII	...	one-fifth(1)	

The grants to pensioners, widows and orphans are calculated on the same basis.

The maximum and minimum rates are fixed as follows:

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(1) In 1925 only the officials of Classes V and VI were entitled to this grant. It has been extended for this Christmas (1926) to all officials up to and including Class XII.

For an unmarried official : at 60 and 30 RM.

For a married official : at 80 and 50 RM.

plus 5 RM. per child.

Wounded and disabled soldiers and sailors receive, as last year, a grant equal to one-quarter of the December pension.

The grants will be distributed to the officials on December 21 and 22, 1926; to the wounded and disabled soldiers and sailors as soon as possible, at the latest together with their January pensions (December 27, 1926).

B. WORKMEN OF THE REICH.

The workmen of the Reich, working on the contract system, and having been employed at least 90 days between April 1 and December 2, 1926, receive as a supplementary Christmas grant the amount of one week's wages.

The same grant is accorded to workmen in the employ of the State of Prussia.

II. UNEMPLOYED.

The Reichstag also voted on December 17th, 25 million RM. for exceptional relief to the unemployed for the Christmas festival.

This grant is equivalent to the amount of relief granted for half a week and will be distributed to all who have been in receipt of unemployment relief for more than 26 weeks.

III. PENSIONERS OF THE SOCIAL INSURANCES AND SMALL ANNUITY HOLDERS.

The pensioners of the social insurance (Sozialrentner)

etc. will also receive a grant out of these funds, fixed at 6 RM. in the case of old-age pensioners and widows; the small annuity holders (holders of depreciated annuities who are in necessitous circumstances) will receive a sum equal to one-third of their monthly pension.

IV. The burden thus devolving upon the Reich is estimated at 44.5 million RM. for grants to Reich officials, pensioners and workers, and at 25 million RM. for relief to unemployed and holders of small annuities. This sum, totalling 69.5 million RM. is covered by appropriations which have been added to the items of the Supplementary Budget for 1926-1927 at present under discussion in the Reichstag.

The equivalent burden on Prussia has been estimated at 21 million RM. The other States will distribute similar grants; no estimate of the probable burden is known, but proportionately to Prussia, it should amount to approximately 10 to 12 million RM.

The German Railway Company which is obliged to follow the example of the Reich will have to shoulder expenditure amounting to approximately 30 million RM., and the Postal Administration of the Reich about 14 million RM.

(signed) L. GAILLET BILLOTTEAU.

Translation 3956(from the French): translated CFH: checked RB. MH.

I.I. 9.501. DOC. 225.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 4, 1927.

THE BERLIN CHAMBER OF COMMERCE ON THE ECONOMIC YEAR 1926.

(Supplement II to the Berliner Börsen-Zeitung No.591 of Dec. 19, 1926).

At the last plenary meeting of the Berlin Chamber of Commerce and Industry the Chairman, Herr Franz von Mendelssohn, submitted extracts from the Annual Report of the Chamber for 1926 which is shortly to be published. We give below some particulars which are characteristic of the economic position in 1926.

It is impossible to pronounce in a few words a single judgment on the economic year 1926 in Germany. The judgments for the different branches of enterprise differ more widely than is usually the case and even a general view falls into two sections for the periods before and after May (approximately). In the first third of 1926 at least the 1925 crisis continued and, to the utter disillusionment of the hopes which in 1924, the first reconstruction year, were placed all too prematurely and too hastily in our economic position, revealed once more the full significance of the disorder, impotence and impoverishment inherited from the period of financial collapse. From about May 1926 onwards however a turn for the better was to be noted; this first appeared in certain branches only, but slowly grew and spread to an extent sufficient to justify the assertion that in the following eight months, or in the second half of 1926 at least, the reconstruction of 1924 was resumed and continued on

more solid bases.

In the Report on the critical year 1925 we were forced to admit that a shortage of working capital and of credit was at the root of the difficulties encountered by industry, although a promising start was to be noted in the re-accumulation of German capital and the influx of foreign loans. The development of both these sources of new capital in 1926 surpassed even generous expectations.

The Report then discusses the visible accumulation of capital with Savings Banks and Banks, foreign loans and other foreign credits, the consequent revival of business on the securities market since the beginning of the year, and the accompanying restraint in trade in commodities, the signs of which are very serious unemployment, the small consumption of coal, limited volume of railway goods traffic, inconsiderable importation of raw materials, etc. At the same time our exports grew largely, in particular the exportation of finished goods. The stagnation in the trade in commodities is therefore to be attributed more especially to the unimportance of home business, and ultimately to the limited purchasing power of the last consumer.

In this connection the Report makes the following remarks:

Whatever the importance of our industry of export possibilities, these always come second to the home requirements of our population of 63 millions, whose purchasing power - and this applies particularly to the masses of the people - remained weak, as we were forced to note that it was in 1925; or rather, it was still further reduced by the unusually extensive unemployment.

As far as can be seen, the wage conditions of employees who have retained their occupations and pay have in general not become worse. The after effects of the Inflation are however obviously still being felt; the old reserves, from which large purchases could be made, are still wanting, and although the Savings Banks reveal an eminently satisfactory reconstitution of reserves, these are quite rightly set aside for future needs and times of distress and are not at present used to cover requirements which are not absolutely necessary and regular.

With almost absolute unanimity the numerous branches represented on our Committee for retail trade have stated that their turnover and business profits remained far behind those of the bad year 1925, not only during the first four months considered above, but also right on into December. Their complaints become more pronounced in proportion to the possibility of dispensing with their goods: the most prosperous were the food stores and the firms which were hardest hit were those selling moderately luxurious articles (wine, tobacco, etc.). Above this limit an improvement was again to be noted; the wealthy sections of the population, with reserves at their disposal, bought as usual; in their case the improvement in Stock Exchange quotations referred to above made itself felt. In the retail trade in general it was still to be noted, as in previous years of financial distress, that even purchasers with limited means preferred to buy goods of sound quality, instead of large quantities of absolute rubbish; they were satisfied with simple things, but these had to be good of their kind.

The purchasing power of the population and the business

done by retail traders in Berlin can also be graded according to districts; they grew less and less from the high class businesses in the west, in which the wealthy population and foreigners visiting Berlin do their shopping, to the outskirts and the outlying districts where the poorer population provides itself with the necessaries of life as near as possible to the place where it lives or works.

Not all the complaints of retail traders refer to lack of purchasing power, and not all the falling off in retail trade sales means a corresponding fall in the sales of producers and wholesale traders. It is a well-known fact that for the supply of finished goods to the last consumer there has been a strong movement away from retail trade and in favour of the various forms of consumers' associations, works canteens and shops, municipal supply offices, health insurance offices, etc. - a movement for the careful investigation and judgment of which a separate Report would be required. In the present Report we can only state the fact and mention the considerable strides which it made during the year under consideration. The sphere of activity of the old-established firms was further restricted by the mass of new shops, which grew in proportion as reductions of staff and unemployment forced former employees to seek a safe refuge in retail trade, either in shops or on the streets. But even after deducting the trade taken from old retail traders by new competitors in this way, the unsatisfactory results obtained by retail trade are sufficient evidence of the low level of the purchasing power of the population.

The reduced number of bankruptices, firms under official supervision (Geschäftsaufsicht) and bill protests are mentioned as satisfactory signs of a return to sound business conditions, and in this connection the following remarks are made:

It was only slowly realised by business men that the process of eliminating weak or inefficient factors - including in addition to Inflation growths many old-established firms as well - was to some extent concluded and it was only slowly that confidence in the relations between sellers and customers, shattered as this had been, could be built up again. As a lesson and inheritance from the catastrophe there remained throughout the year great caution in business transactions. The difficulties connected with sales and payment terms were feared and the result was a tendency to restrict liabilities to supplying firms, to avoid producing goods for store and to wait until definite orders were received. This undoubtedly made the financial position more sound, but on the other hand restricted the rationalisation of work; the producing capacity was not fully utilised, short delivery time-limits were fixed and work had to be rushed through; in the office, as one of our informants expresses it, "for 12 orders from the same customer it was necessary to exchange 12 letters, where under normal circumstances and with normal trade stocks one letter would have been exchanged for one order for the same total quantity". The result was an increase in cost prices which was either borne by the customer or went to reduce the profit-earning capacity of the concern.

Under these prevailing conditions it was hard to see in the spring of 1926 how the German economy could on its own initiative find a means of employing its latent capacity. The solution of this problem was afforded by an economic event in a foreign nation, the great British coal dispute.

When this first started in May 1926, it was immediately clear, from the fundamental importance of the British coal trade not only for England, but for the whole world, that economically the event was of primary and universal importance. Events of the kind had however occurred so often and had passed in such a relatively short time that no one would then have thought that the British mines would be closed for more than half a year and that the consequences of the dispute would be felt slowly and surely over so wide an area.

The nations of today are so closely bound together that serious observers in one country cannot derive even a malicious satisfaction from the misfortunes of another. On the contrary, this labour struggle, which probably exceeds in extent and bitterness any previously recorded in history, has taught the economic communities of all nations a profound and significant lesson; it has shown them the enormous issues at stake when social disputes arise between workers and employers, and the gravity of the wounds inflicted on the whole nation. The first thought for his own country therefore which comes to the mind of the foreign onlooker is the desire to preserve his own house from such conflagrations. To this first consideration there soon were added flames from the fire which caused us direct loss: England has again become

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one of our good customers, just as Germany has become a good customer of England, and the purchasing power of this good customer of ours became markedly smaller.

Apart however from these general considerations of the economic disaster in England, it must be noted as a fact that the withdrawal from the world market of our great competitor was in the first place a benefit to Germany, in that it provided an outlet from the suffocating atmosphere in which she had been stifling.

After consideration of the effect of the strike on various branches of German enterprise, the revival to which it gave rise is contrasted with the very important and unfavourable factor represented by the abnormal weather conditions which often prevailed during the year, and which produced, in addition to damage from floods, a generally unsatisfactory harvest, a limited capacity on the part of agricultural concerns to purchase means of production and on the part of the agricultural population generally to purchase requirements of every kind.

The following observations are made in connection with our exports:

In regard to German exports and their general situation we must repeat what was said in the previous annual Report. They were still hampered by the national industries of foreign countries, which in some cases have developed naturally and in others have been artificially fostered, by Customs barriers and by the Customs war with Poland. Everywhere on the world market we were met by keen competition on the part of countries with

depreciated currency, in particular, France, Italy, Belgium, to a lesser degree Poland and Czecho-Slovakia, etc. On the other hand we rejoice to learn from reliable sources that in the countries opposed to us in the War the rejection of Germans and their goods by private individuals, which was due to the continuance of political hostility, has in practice completely disappeared, together with barriers between the States; the position is again what it was before the War. The advantage obtained by countries where capital is readily available, such as the United States, Great Britain and the Netherlands, by the granting of long-term commercial credits, is less pronounced, since German exporters are gradually becoming able to grant the customary credits demanded abroad; in this connection the export credit insurance and the scheme for the financing by the Banks of exports to Russia, instituted by the Reich under the extended programme for productive unemployment relief, were of great service. These measures are discussed in more detail in the section on political economy of the present Report, which also deals with the Commercial Treaties concluded in the year under consideration. From the formal point of view the Treaties constitute considerable progress, in that they guarantee the the normal opening up and development of international trade; from the practical point of view some progress has been made towards reducing the restrictions on trade, and in particular towards a reduction in Customs duties.

A still more important point is that our industry has succeeded to a greater extent than was formerly possible in

adapting its export prices to those on the world market. This may be looked upon as the result of intensive reduction in cost prices by means of the rationalisation of the concerns and is also a proof that the necessity for holding fast to foreign markets and for opening up new ground abroad has been more generally realised.

There are consequently a number of important tendencies to be noted which should promote our exports even without the possibilities afforded by the British strike; and it is to be hoped that their effects will be felt long after the incidental circumstance of the strike is past.

After discussing the great progress made by the idea of business rationalisation and by the organisation of the national economy on a large scale by means of agreement on business terms, etc., the Report makes the following forecast for the immediate future:

The builder builds up the future out of the past. The head of an economic undertaking asks of a past year what powers and achievements and also what difficulties and obstructions he is carrying forward into the new year.

All organic existence is the two-fold result of internal capacity and impulse and external circumstances. From the severity of the malady safely survived and the considerable progress towards convalescence made during the past year, it may be concluded that the internal capacity and impulse of our national economy is sound. The quality and capacity of the soil and of the capable human material available have been conscientiously

and industriously exploited. Unwholesome growths dating from the War and post-War periods may be said to be eliminated. Even the better times, however, which we have behind us should not conceal the fact that great constitutional weakness still remains. The great impoverishment recorded in previous Reports still persists with the vast majority of the population. We have enjoyed the pleasant side of borrowing and of the influx of foreign milliards; in all probability we shall invest these funds well, that is, productively, but the unpleasant side is still before us, when a large slice of our earnings goes to foreign lenders for the service of interest and sinking funds. We are still as short of capital for consumption as we are of capital for production. The great masses of the people still live mostly from hand to mouth and can buy only absolute necessaries. This state of affairs will not be changed by the various systems for financing consumption which have recently been started and which have aroused in some quarters such great hopes and in others such great opposition; only the experience of the new year, however, can show what their practical importance will be and whether the advantages will outweigh the disadvantages.

The lack of proportion between the productive capacity of our industry, between the large number of commercial and trading concerns breathlessly competing with each other on the one hand, and the purchasing power of the home population on the other hand is a serious menace to our national economy. With true discernment a general attempt is made to avert this menace by an endeavour <u>to win over foreign purchasing power by all possible</u>

means. The results during the year under report were excellent. The great and vital question is however to know how far further progress can be made. We were happily able to show above that the British strike, which appeared like a comet on our economic horizon, was not the only pillar on which our 1926 exports rested. In regard to the export restrictions of which we had to complain earlier in the Report, it would appear that the underselling by France and Belgium as a result of the fall of the franc has come to an end, or will soon do so. The political restrictions on trade however are hardly likely to disappear to any great extent so soon. It is true that during the past year the Inter-Parliamentary Conference in London, the publications and negotiations of the International Chamber of Commerce in Paris, those of the Preparatory Committee for the International Economic Conference, the proclamation of prominent representatives of Banks throughout the world, and the meetings between German and English industrialists here, in London and on other occasions have produced a most valuable recognition on the part of the leaders of economic and political thought of the principles relating to the free distribution of work and the free exchange of commodities among nations; we ourselves have on various occasions, inter alia in our 1925 Report, mentioned these principles as the ultimate goal. The World Economic Conference which is to be held in Geneva in May 1927 will in all probability bring further highly desirable progress in this direction. In the meantime the first objective is to make a breach in the protectionist convictions of the world and, to avoid disappointment, breaches in the

hard reality of Customs barriers should not be sought for some time to come.

In addition to the difficulty of adjusting capacity to sales, industry and commerce are faced by the heavy task of producing the sums demanded in taxation by the public authorities directly or indirectly from their trade returns. It is to be admitted, and is explained in more detail in the economic part of the present Report, that during the year under consideration the Reich endeavoured by means of the Law reducing the severity of taxation to substitute a more careful handling of the vital requirements of private concerns for the ruthless levies of previous years. For individual concerns however the burden of taxation was not as a whole reduced, since the increased pressure of the dues collected by the Federal States and Communes, which is likewise discussed in more detail in the economic part of the present Report, used up the saving on the taxes of the Reich. During the year under consideration the pressure of taxation became for many concerns so much more acute that the demand for taxation postponement and alleviation on a large scale became general; this applies to the Tax on industrial concerns, which is felt by the undertakings already mortgaged for the industrial debentures to be an unfair supplementary charge, and more particularly to the Tax on industrial concerns which in its present form is looked upon increasingly by industry as the tax which more than any other prevents healthy development. Reich, Federal States and Communes should no longer refuse in the

collection of dues always to consider the effect on the individual industrialists and traders, who must be protected by a maximum limit of taxation from paying away in taxation the capital required for the upkeep and exploitation of the concerns. With this end in view the Reich, Federal States and Communes must bear still more carefully in mind the principle that the position of the nation is such as to justify only the most essential public expenditure.

There are quite enough charges which are unavoidable, such as, in addition to the cost of the regular State and municipal administrations, the cost of relief for the unemployed, the number of whom is not likely to fall to any great extent at an early date, and, most important of all, the war compensation payments. On September 1 1926 we entered upon the third year of the Dawes Plan. In the course of the year we are to pay to the account of the Agent General for Reparation Payments a total distributed under various headings of 1 500 million gold marks (including a payment under the Agreement of September 2 1926 of 300 million marks in deliveries in kind), and in the fourth year (September 1 1927/28) 1 750 million gold marks. Of the payments there fell or will fall 1 313.33 millions in the calendar year 1926; 1 583.3 millions in 1927; and 2 milliard gold marks in 1928. If Germany has in the past faithfully fulfilled her obligations, this has only been possible by imposing too heavy a burden on her producing classes and it is impossible to see how in 1927 the higher payments are to be effected and transferred, especially if, as is not improbable, we are obliged to restrict

the extent of further foreign borrowing and if, as the result of a reduction in our fuel exports and an increase in our imports of foodstuffs and raw materials, our trade balance again becomes and remains unfavourable. The reduction of the German Reparation charge, and the revision of the Dawes Plan in accordance with the experience gained in what will soon be three years from its inauguration, must therefore still be the urgent desire of Germany.

After all that has been said, the improvement in the economic position of Germany which has occurred since the depression at the beginning of the year under report gives no ground for self-satisfaction or for belief either in a speedy and lasting advance or in the security of the present situation. It does however justify the assurance and hope that, if by working to the limit of our strength and trusting that success would in the end be won we have overcome the worst of the crisis, we may by the same means hold on still and rise further even though our advance is but slow.

Translation 3962 (from German): transl. BWS: checked RB. QW.

I.I.9.343 DOC. 226

TRANSFER COMMITTEE

ECONOMIC SERVICE

Berlin, January 5,1927.

FINANCES OF THE REICH

STATE OF THE PUBLIC DEBT ON NOVEMBER 30,1926.

(Cf. Doc.No.221)

I. The total figures for the Public Debt (not including the revalorised paper mark debt) were as follows on November 30, 1926, according to Wirtschaft und Statistik No.24. The details are given in the annex.

On October 31 1926	2 180.7 million	RM.
" November 30 "	2 200.2 "	"
Increase during November	19.5 "	"

II. Variations in the different items.

a) The debt Gold Loans and Treasury Bonds remains unchanged at RM.20.9 millions.

b) The debt to the Rentenbank has decreased by RM. 11.1 millions representing interest paid by the owners of the mortgaged land.

c) The value in RM. of the German External Loan 1924 has increased by RM. 0.6 million as a result of fluctuations in the Pound Sterling rate.

d) "Miscellaneous debts" show an increase of RM.30 millions. The Reich has again borrowed from the Post Office the 30 millions which were repaid to it last month. Accordingly this loan once more totals RM. 100 millions .

DOC. 226.

DEBT OF THE REICH

(in million Reichsmarks)

	October 31 1926	November 30 1926
I. TREASURY BONDS		
Paper marks	0.0	0.0
6 % repayable in 1935	18.9	18.9
6 % repayable in 1932	1.2	1.2
"K" Bonds	0.8	0.8
Total	20.9	20.9
II. LOANS FROM THE BANKS		
Rentenbank	892.7	881.6
Reichsbank	217.4	217.4
Total	1 110.1	1 099.0
III. EXTERNAL LOAN		
110. million $	423.4	423.3
21.68 " £	427.2	427.9
25.2 " Swedish crowns	27.4	27.4
100. " Lire	17.4	17.3
15. " Swiss francs	11.7	11.8
Total	907.1	907.7
IV. MISCELLANEOUS		
Obligations	9.7	9.7
Guarantees	50.9	50.9
Loan to agriculture	12.0	12.0
Loan from the Post Office	70.0	100.0
Total	142.6	172.6
GRAND TOTAL	2 180.7	2 200.2

Translation 3982 (from the French): translated UP: checked NL.

I.I.9.4140 DOC.227.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 10, 1927.

THE BALANCE SHEET OF THE RENTENBANK AS AT NOVEMBER 30, 1926.

(See Doc. No.217).

The following is the comparison between the balance sheet of the Rentenbank as on November 30 1926 and the balance sheet as on October 31 1926.

	Balance sheet of November 30 1926. (in Rent.M.)	Difference (+ or -) as compared with that of October 31. (in Rent.M.)
ASSETS		
Charge upon German agriculture	2 000 000 000	
Rentenbriefe as on 31.10.26 Rent.M. 1 699 844 000 30.11.26 " 1 699 844 000		
Loans to the Reich	949 427 854.08	- 11 040 668
Outstanding credits	293 444 861	-254 454 301.85
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	68 695 913.98	- 36 980 420.76
Real property of the Bank	325 000	-
Office furniture and supplies	86 302.69	+ 3 734.50
Miscellaneous assets	3 377 459.05	+ 135 324.80
LIABILITIES		
Capital	2 000 000 000	-
Rentenbank notes in circulation	1 174 922 752	-304 485 529

	Balance sheet of November 30 1926. (in Rent.M.)	Difference (+ or -) as compared with that of October 31. (in Rent.M.)
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000	-
Carried forward	36 180 115.60	-
Reserves	6 095 252.50	-
Miscellaneous liabilities	871.75	+ 459.25

The Sinking Fund at the Reichsbank received in November a total sum of Rent.M. 304 485 529, composed as follows:

a) Under § 11 of the Law on the liquidation of Rentenbank notes, Rent.M. 293 444 861 (that is, the second third of the "outstanding credits" which amounted to Rent.M. 880 334 583 at the time of the coming into force of the Law - October 11 1924); the item "outstanding credits" only indicates a fall of 254.5 million Rent.M., part of the credits (38.9 million Rent.M.) having been remitted to the Credit Institution of the Rentenbank last April;

b) Under § 7a of the Law on the Liquidation of the Rentenbank, 11 040 668 Rent.M., representing payments of owners of mortgaged land.

Since the coming into force of the Law on the Liquidation of Rentenbank notes, the Sinking Fund has received :

Rentenmarks	130 572 145.92	under	§ 7a	of the Law
	120 000 000	"	§ 7b	"
	67 793 963.46	"	§ 7c	"
	586 889 722	"	§ 11	"
Total:	905 255 831.38			

Translation 4001 (from the French): translated NL: checked RB.
AA

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 15, 1927.

THE BALANCE SHEET OF THE RENTENBANK

AS AT DECEMBER 31,1926.

(See Doc. No. 227)

The following is the comparison between the balance sheet of the Rentenbank as on December 31 1926 and the balance sheet as on November 30 1926.

	Balance sheet of December 31 1926 (in Rent.M.)	Difference as compared with that of Nov 30 1926 (in Rent.M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.00	-
Rentenbriefe as on 31.12.26 RentM.1 699 844 000 30.11.26 " "1 699 844 000		
Loans to the Reich	946 286 586.05	-3 141 268.03
Outstanding credits	293 444 861.00	-
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	70 270 914.51	+1 575 000.53
Real property of the Bank	325 000.00	-
Office furniture and supplies	86 982.19	+ 679.50
Miscellaneous assets	3 362 814.98	- 14 644.07
L I A B I L I T I E S		
Capital	2 000 000 000.00	-

	Balance sheet of December 31 1926 (in Rent.M.)	Difference as compared with that of Nov 30 1926 (in Rent.M.)
Rentenbank notes in circulation	1 171 781 484.00	- 3 141 268.00
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000.00	-
Carried forward	36 160 115.60	-
Reserves	5 134 025.65	+ 38 773.15
Miscellaneous liabilities	24 731.50	+ 23 859.75

Rent.M. 3 141 268.03, representing interest payments by the persons subject to the agricultural charge, were paid into the Sinking Fund at the Reichsbank in the course of December. The items "Loans to the Reich" and "Rentenbank notes in circulation" show a corresponding diminution.

Since the coming in force of the Law for the Liquidation of the Rentenbank notes of October 11 1924 the Sinking Fund has received the following sums:

Rent. M.	133 713 413.95	under	§ 7a of the Law
" "	120 000 000.00	"	§ 7b " " "
" "	67 793 963.46	"	§ 7c " " "
" "	586 889 722.00	"	§ 11 " " "
Total:	908 397 099.41		

Translation 4024 (from the French): translated RB:checked NL.

RD

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 14, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN NOVEMBER 1926.

(Cf. Doc. 220)

A. The Deutscher Reichsanzeiger No. 8 of January 11 1927 published the table of receipts and payments of the Reich for the month of November 1926. The table is given below: the figures for August - the corresponding month of the second quarter - have been added.

	1926			
	August	April October	November	Total for first 8 months
		(in million RM)		
A. ORDINARY BUDGET				
Receipts				
a) from taxation	651.4	4 100.6	625.3	4 725.9
b) administrative	31.0	229.5	47.4	276.9
Total	682.4	4 330.1	672.7	5 002.8
Payments				
a) general administrative	314.6	2 504.6	362.6	2 867.2
b) Reparation payments	26.5	188.4	51.4	239.8
c) Transfers to the Federal States.....	205.2	1 486.1	246.8	1 732.9
Total	546.3	4 179.1	660.8	4 839.9
Surplus brought forward	136.1	151.0	11.9	162.9
Surpluses from financial years 1924 and 1925, as distributed each month	30.6	219.9	36.1	256.0
Budget surplus	166.7	370.9	48.0	418.9

	1926			
	August	April-October	November	Total for first 8 months
		(in millions RM)		
B. EXTRAORDINARY BUDGET				
Receipts	-	1.3	-	1.3
Payments				
a) general administrative including charges arising out of the war	54.7	288.8	43.1	331.9
b) Reparation payments	20.0	104.1	-	104.1
Total	74.7	392.9	43.1	436.0
i.e. net payments to be met out of loans	74.7	391.6	43.1	434.7
C. RECEIPTS AND PAYMENTS FOR THE FINANCIAL YEAR 1925-1926				
Receipts	-	48.5	0.2	48.7
Payments	38.4	333.6	14.5	348.1

STATE OF THE FLOATING DEBT AS ON	AUGUST 31	OCTOBER 30	NOVEMBER 30
1) Obligations to pay...	18.6	9.7	9.7
2) Guarantees	50.9	50.9	50.9
3) Loan from the Post Office	100.0	70.0	100.0

REMARKS.

I. As regards the Ordinary Budget November yielded a surplus of RM 11.9 millions, thus increasing the total surplus from 151 millions as at the end of October to 162.9 millions on November 30.

An explanation has already been given (cf. Doc. 223) of the decline in the returns from taxation in November as compared with August (RM 26.1 millions). On the other hand payments exceed those of August by 114.5 millions, the increase being distributed as follows: General Administrative payments 48.0; Regulation payments 24.9; Transfers to the Federal States 41.6 millions.

If a comparison is made in respect of the same payments in September and October instead of August, a month during which general administrative payments were smaller than at any time since the beginning of the financial year, it will be found that November shows a decrease of 42.5 and 1.6 millions respectively.

As regards transfers to the Federal States it was shown (cf. Doc. 220) that 109 millions due to them from the October receipts were not transferred until November. On the other hand 60.4 millions due from the November receipts were not transferred until December. Accordingly, taking these figures into account, transfers to be made by the Reich in November total RM 193.2 millions, being 48.6 millions less than the figure given in the table.

II. The figure for Reparation payments remains the same as in October (51.4 millions) in conformity with the recent agreements. The payments are composed as follows:

	in millions RM
Normal budgetary contribution	9 146
Supplemental budgetary contribution	17 960
Transport Tax	22 496
Paid into the reserve fund of the Commissioner of Controlled Revenues	1 829
Total	51 431

All these payments are included in the Ordinary Budget, as the supplementary budget transferring the payment in respect of the reserve fund for the Commissioner of Controlled Revenues to the Extraordinary Budget, had not yet been passed in November.

III. The surpluses brought forward from the preceding financial year are calculated month by month, as in October, on the basis of the revised estimates in the supplementary budget; accordingly the current financial year benefits to the extent of RM 400.1 millions, representing the total surplus from preceding financial years. Of this sum 183.9 millions were distributed over the first six months leaving a balance of 216.2 millions available for the second half of the year, or a little over 36 millions a month.

IV. As regards the Extraordinary Budget, payments in November (43.1 millions) fall short of payments in August, September and October by 11.6, 19.9 and 20.8 millions respectively. Extraordinary payments to be met out of loans totalled 434.7 millions

on November 30 as against 391.6 millions on October 31.

The total receipts and payments of the Ordinary and Extraordinary Budgets taken together give a gross deficit of 271.8 millions for the first eight months of the financial year, while the inclusion of surpluses from preceding financial years leaves a net deficit of only 15.8 millions.

V. A note appended to the table in the Deutsche Reichsanzeiger draws attention to the fact that it must not be concluded from the surpluses shown in the Ordinary Budget that the surplus at the close of the financial year 1926-1927 will be as great, for the following reasons:

a) December, like the third month of every quarter, will show a considerable deficit;

b) at the close of the financial year from 300 to 400 millions will be required to meet "outstanding" payments for the year.

B. THE FLOATING DEBT.

The position with regard to the Floating Debt remains unchanged on November 30 in respect of "obligations to pay" and "guarantees". But, as was stated previously in Doc. 226, the Reich has again borrowed the 30 millions which had been repaid to the Post Office in October. The loan from the Post Office therefore once again totals 100 millions.

(Signed) L. GAILLET-BILLOTTEAU.

Translation 4029 (from the French): translated UP: checked RB. EL.

I.I.9.321. DOC. 230.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 18 1927.

FINANCES OF THE REICH

TAX RECEIPTS FOR THE MONTH OF DECEMBER 1926.

(see Doc. No. 223)

The Deutscher Reichsanzeiger No. 11 of January 14 1927 publishes the summary of the Tax Receipts of the Reich for December 1926. The following table shows the receipts from the different categories of taxes for December and for the corresponding month of the preceding quarter, as well as the monthly average of the receipts of the first three quarters of the financial year 1926-1927.

Table I. AGGREGATE TAX RECEIPTS (in millions of RM).

	Estimated Receipts				Receipts collected			
	Financial year 1926-27	Monthly average	Financial Year 1926-27 1st Quarter	2nd Quarter	3rd Quarter	Sept. 1926	Dec. 1926	From April 1 to Dec. 31 1926
			Monthly average					
I. Taxes on income, sales, transport, &c.								
a) recurrent	4 476.0	373.0	319.7	417.8	415.2	321.5	323.5	3 458.1
b) non-recurrent	30.0	2.5	4.7	2.9	6.1	2.3	3.0	41.2
II. Customs and taxes on Tobacco, beer, &c								
a) assigned	1 907.0	158.9	153.7	210.3	219.4	217.5	236.7	1 750.2
b) other	52.3	4.4	6.9	3.8	3.8	3.6	4.1	43.5
III. Miscellaneous	-	-	-	-	-	-	-	0.2
IV. Aggregate increase in returns of taxation	(1) 219.8	18.3	-	-	-	-	-	-
Total	6 685.1	557.1	485.0	634.8	644.5	544.9	567.3	5 293.2

(1) The Supplementary Budget of the financial year 1926-27 (Reichsgesetzblatt II No. 1) involves an aggregate increase in the Estimated Receipts of RM 219.8 millions - detailed figures are not given - bringing them up from RM6 465.3 millions for the financial year to RM 6 685.1 millions.

I. The receipts for the third month of each quarter are always relatively small owing to the absence of any provisional or quarterly payment. If this is remembered, the receipts for December may be regarded as satisfactory, compared with those for September. The increase amounts to RM 22.4 millions and is for the most part connected with Customs and assigned taxes on consumption (RM 19.2 millions); the permanent taxes on income, sales, transport, etc. show an increase of only 2 million RM.

The monthly average receipts for the third quarter of the financial year are greater by RM 9.7 millions than those for the second quarter and by RM 59.5 millions than those for the first quarter. They exceed appreciably (by RM 87.4 millions) the new average estimated receipts. The fall in the receipts from the taxes on income, sales and transport, as compared with the receipts from the same sources for the second quarter (RM 2.6 millions), is due to the payments effected during the second quarter for the settlement of the balance due on the taxes for 1925.

The receipts collected during the first nine months of the financial year (RM 5 293.2 millions) exceed by 279 millions the estimate for the same period, allowing for the increases in the latter under the Supplementary Budget.

II. The following table shows the figures for the receipts from the various taxes on income, sales, transport, etc.

(in millions of RM).

	Estimated Receipts		Receipts collected					
	Financial year 1926-27	Monthly average	Financial year 1926-27			Sept. 1926	Dec. 1926	From April 1 to Dec. 31 1926
			First quarter	Second quarter	Third quarter			
			Monthly average					
Income Tax								
a) on wages	-	-	83.6	93.2	99.8	93.2	105.7	829.8
b) on income from capital	-	-	13.5	5.0	5.5	1.2	3.4	71.6
c) on other forms of income	-	-	59.6	109.4	100.8	63.4	48.2	809.8
Together	2 100.0	175.0	156.7	207.6	206.1	157.8	157.3	1 711.2
Corporation Tax	250.0	20.8	18.1	47.8	32.2	20.6	11.8	294.5
Tax on Real and and Personal Property	400.0	33.3	12.1	26.7	34.7	15.5	20.0	220.3
Turnover Tax	974.0	81.2	73.2	67.6	72.8	60.1	64.1	640.6
Tax on Bourse transactions	50.0	4.2	3.5	6.1	8.5	7.0	9.9	54.4
Transport Tax	325.0	27.1	25.3	27.8	26.8	29.2	25.2	239.6
Other Taxes	377.0	31.4	30.8	34.2	34.1	31.3	35.2	297.5
TOTAL	4 476.0	373.0	319.7	417.8	415.2	321.5	323.5	3 458.1

The tax on wages for December (105.7 million RM) collected on 25 working days (period from November 21 to December 20) shows a considerable increase over the receipts for the preceding months November 97.7 millions (26 working days), October 95.9 millions (27 working days), and July, August and September from 93.1 millions to 93.3 millions (26 working days). The improvement is progressive and seems to indicate an increase in wages distributed. The decision of the Finance Minister subjecting to deduction of tax at the source the wages distributed to unemployed persons employed on relief work (see Doc. 223) must also have had a favourable influence on the yield of the tax.

The receipts from the tax on other forms of income and from the Corporation Tax show compared with September a fall of 15.2 millions and 8.8 millions respectively. The receipts for September had been slightly abnormal owing to the payments effected in settlement of the balance of the tax for 1925 after the final assessments. Compared with the June receipts, those for December show increases of RM 20.2 millions and RM 7.8 millions respectively.

The receipts from the Tax on Real and Personal Property for December represent arrear payments (largely by agriculturalists) in respect of the instalment falling due on November 15 1926. The increase amounts to 4.5 as compared with September and 11.2 as compared with June.

The receipts from the Turnover Tax are still fairly constant with a tendency to increase. The December receipts (64.1 millions) are slightly more than those for September (60.1 millions) and those for June (58.2 millions). The effect of the Christmas sales will only be reflected in the January receipts.

The yield of the tax on Bourse transactions is still very high (9.9 million RM), which illustrates the activity of Stock Exchange business. The figure is only .4 million RM less than the maximum reached last month - 10.3 millions.

The Transport Tax (25.2 millions) shows a fall from the November receipts. It is about the same as in December 1925 (25.4 million RM).

Of the other taxes, it is of interest to note the considerable yield of the tax on the constitution and amalgamation of companies, which was 8.2 millions in December - the maximum yield attained hitherto since the stabilisation.

III. The third table shows the receipts from Customs and assigned taxes on consumption.

(in millions of RM)

	Estimated Receipts		Receipts collected					
	Financial 1926-27	Monthly average	Financial year 1926-27			Sept. 1926	Dec. 1926	From April 1 to Dec. 31 1926
			First quarter	Second quarter	Third quarter			
			Monthly average					
Customs	580.0	48.3	55.3	82.6	78.6	70.1	82.3	649.7
Tobacco Tax	655.0	54.6	43.7	56.7	73.3	67.9	73.2	521.0
Sugar Tax	265.0	22.1	18.9	28.5	23.2	32.4	24.1	211.6
Beer Tax	235.0	19.6	21.4	26.0	20.3	27.1	18.9	203.2
Alcohol Monopoly	172.0	14.3	14.4	16.5	24.0	20.0	38.2	164.7
TOTAL:	1 907.0	158.9	153.7	210.3	219.4	217.5	236.7	1 750.2

In December, the receipts from the Customs and assigned taxes on consumption show a considerable increase - 17.7 millions as compared with November, 33.7 as compared with October and 19.2 millions as compared with September. The increase is especially remarkable in the case of the Customs and the returns from the Alcohol Monopoly.

The increase in the yield of the Customs (5.7 as compared with November or 12.2 as compared with September) is explained partly by considerable imports of Southern fruits, partly by anticipatory payments in respect of half-yearly amounts falling due in January.

The Tobacco Tax is about the same as in November (73.5 millions). The Beer Tax shows the customary seasonal reduction. As regards the increase in the returns from the Alcohol Monopoly, it is due principally to higher sales for cash in anticipation of the increase in the duties.

In comparing the third quarter with the second, it may be noted that the decrease in the taxes on sugar and beer is explained by normal seasonal variations. In the case of the Customs, the receipts of the second quarter were augmented by the half-yearly payments falling due in July.

IV. These results show that in regard to revenue the position of the budget is favourable and up to the present justifies the optimism of the Finance Minister. In contrast to last year, the increase in unemployment produced by the reorganisation of industry and seasonal factors does not point to an economic crisis, which there is no reason to fear, and will have but a slight effect on the revenue. If a certain reduction in industrial activity is brought about by the end of the British strike,

this will be made good by the additional business done over Christmas and the New Year, which is generally admitted to have been extremely satisfactory. On the other hand, the growing unemployment will be a heavy burden on the expenditure. The budget problem at present lies much less in an increase in revenue, which is developing satisfactorily, than in a reduction of expenditure, which shows a tendency to grow more rapidly than revenue.

(Signed) L. GAILLET-BILLOTTEAU

Translation 4037 (from the French): translated NL,BWS: checked RB.

CG.

I.I.9.444 a - DOC. 231

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, January 30, 1927.

JURISDICTION AND ACTIVITIES OF THE ADVISORY OFFICE FOR FOREIGN LOANS.

(This document is a translation of a Memorandum published by the Finance Minister of the Reich on "the jurisdiction and activities of the Advisory Office for Foreign Loans" from January 1 1925 to September 30 1926).

I. INSTITUTION AND WORK OF THE ADVISORY OFFICE.

eason for he action aken by he Govern- ent of he Reich

1. During the war and post-war periods most of the German communes and associations of communes were not in a position to carry out work for the extension or technical improvement of the industrial undertakings run by them, more particularly gas, water and electricity works and tramways. During the war the necessary labour was not available. After the war the spread of inflation and the consequent disappearance of reserves and renewal funds meant a shortage of capital; only relatively few communes learnt to profit by the depreciation of the mark and, like some private industrialists, extended and improved their apparatus of production and procured new purchases.

After the war new tasks fell to the communes and continued to do so until quite recently, the result being a

further heavy strain on the communal finances.

In view of the considerable demand for capital which thus arose, it was to be feared that the communes would make the fullest use of the first opportunity for long term foreign borrowing which was afforded by the opening of the foreign capital market, and would fail to observe that restraint which consideration for the German balance of payments and ultimately for the currency rendered necessary. Apart from the great danger thus inherent in communal borrowing, a further disadvantage might have been that the not unlimited funds of the foreign capital market were withheld from industry and agriculture and granted for the most part to communes and associations of communes, since these, backed by their power of taxation, could offer the foreign lender better security than private undertakings, and consequently a greater inducement to the investment of capital.

Similar considerations naturally applied to the Federal States. These also, after the long period of shortage, required capital and endeavoured to satisfy their requirements on the foreign market. In the case of some States an additional incentive was supplied by the fact that they were urged by concerns of medium and small size to borrow abroad in order to pass on the funds obtained in the form of loans to industrial undertakings.

The Government of the Reich, which is jointly responsible with the Reichsbank for the maintenance of the currency, found itself compelled, in view of the wild rush on the foreign capital market which was to be expected, to lay stress upon general economic and currency requirements and to take steps to ensure the regulation of the loan policy of the Federal States and the communes on uniform lines. As the negotiations for agreement among the Governments of the Federal States in regard to the procedure to be observed required ample time, owing to the novelty and difficulty of the matter under consideration, and as the circumstances called for a speedy settlement, the contracting of foreign loans by the States, communes and associations of communes was in the first place made dependent on the consent of the Finance Minister of the Reich, by a decree of November 1 1924 on the contracting of foreign loans by the States, communes and associations of communes issued by the President of the Reich (Annex I). The decree of the President of the Reich was not to remain in force after January 31 1925; in the meantime the Federal States, which in principle had recognised the justification for the attitude adopted by the Government of the Reich, were to agree on a uniform procedure for the contracting of foreign loans. In addition the Governments of the States, where they had not already a right under their respective legislations to influence the

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loan policy of the public associations and credit institutions, were to ensure the extension of their right of control.

Agreement on the procedure to be observed was obtained at the beginning of January 1925 and was drafted in the form of "Regulations for the contracting of foreign loans by the Federal States, communes and associations of communes". The extension of the right of control of the communes on the other hand was not enforced by the due date in all the States.

As the result of the Regulations the consent of the Finance Minister of the Reich provided in the decree of November 1 1924 immediately became unnecessary for loans of the States and for those of the communes and associations of communes which already required the consent of control authorities for the contracting of foreign loans. Consequently the decree of November 1 1924 had only to be retained for communes and associations of communes whose foreign borrowing was not subject to control by a Federal State. The new arrangement was brought into force by the decree on the contracting of foreign loans by the communes and associations of communes issued by the President of the Reich on January 29 1925 (Annex II). The underlying idea of this decree, the application of which was limited to February, was finally embodied, since the right to control the communes was still not extended in various States, in the Law of

March 21 1925 on the contracting of foreign loans by the communes and associations of communes, which came into force as from February 1 1925 (Annex III). The Law brings the decree of January 29 1925 into line with the Regulations, in the first place by making not only the contracting of foreign loans and the issue of loans abroad, but also the assumption of guarantees and the granting of security for foreign credits and loans by communes and associations of communes (in so far as these are not already subject to control) dependent on the consent of the Finance Minister of the Reich. Further, the Law places communal Giro associations including their banking institutions on the same footing as associations of communes, in so far as they contract foreign credits or issue loans abroad the proceeds of which are destined for the States, communes or associations of communes.

Both the Law of March 21 1925 and the agreement in regard to the Regulations are still in force to-day. The agreement applied in the first place until June 30 1925; after that date it is prolonged for periods of three months unless denounced four weeks in advance by any State.

§ 2 of the Law of March 21 1925 gives the Finance Minister of the Reich the right to transfer the right of authorisation to the supreme authority in the Federal State.

Immediately after the promulgation of the Law the Finance Minister made use of this right. In practice therefore the Governments of the States have in all cases to-day to give their consent to the contracting of foreign credits and loans, the assumption of guarantees and the granting of security in the cases prescribed above, even where under the legislation of the State in question the communes and associations of communes are not subject to control. Consequently the Government of the Reich has no legal right to-day to control the foreign borrowing of public institutions. By mutual arrangement however the Governments of the Federal States are bound not to approve the foreign loans of communes, associations of communes, communal Giro associations etc. unless they conform to certain conditions, and to obtain the opinion of the Advisory Office for foreign loans where these conditions are not fulfilled on every point.

Executory provisions, which the Finance Minister of the Reich is authorised to issue with the consent of the Reichsrat under § 3 of the Law of March 21 1925, have not been promulgated, since in the first place the Regulations proved adequate, and the Governments of the States were prepared to amend them when alterations became necessary.

endment the gula- ons.

At the beginning of 1926, when giving its opinion on several joint communal loans for large amounts, the

Advisory Office was faced with the difficulty that in many individual cases local requirements were put forward which appeared to be without value for the nation as a whole. In order to remove any ambiguity to which the text of the Regulations might give rise and also to ensure the greatest possible restriction of such loans in the event of their accumulation, the Advisory Office in February 1926 proposed the amendment of the Regulations. At a meeting held on February 10 1926 the amendment proposals, which also referred to the Appeal procedure, were for the most part approved by the Governments of the Federal States and have since come into force with the consent of all the States in a form which takes into account certain wishes subsequently put forward by the Prussian Ministry of the Interior.

The essential change in the Regulations lies in the clearer interpretation given to the term productivity. The investments made with the proceeds from foreign loans, either by increasing exports or by restricting imports or in some other way, should directly or indirectly serve to promote the economic interests of the Reich as a whole; local interests in themselves are not sufficient justification. Loans which do not need to be submitted for the opinion of the Advisory Office (see page 18) are absolutely conditional upon the observance of this principle, which must also receive proper attention when loan schemes are under consideration

by the Advisory Office. Under the amended form of the Regulations, the Advisory Office has further to consider whether the total amount of foreign loans approved or the number of applications submitted has reached a figure which, in the interests of the currency or of the loan terms which it is desirable to obtain, should not in the meantime be exceeded.

These amendments to the Regulations have considerably restricted the sphere of judgment of the Advisory Office, to which in the first place great freedom was left.

Private loans.

2. The heavy demands made on the foreign capital market by private enterprise in 1925 brought forward the question of the necessity for controlling this class of foreign borrowing also. In addition to the danger to which the currency may be exposed as a result of the foreign borrowing of trade and commerce, in cases where the loan capital coming into the country is put to a use which is unsuitable on general grounds, there is the prospect of an effect on the loan terms to be obtained, especially as with few exceptions the terms obtained by trade and commerce are more unfavourable than those granted to the Federal States and communes.

By a decree dated December 10 1925 Italy has subjected private borrowing also to control, in so far as

the loans run for more than one year. In Germany direct intervention in the conclusion of private loans has been avoided, since the return to State control, which is to a certain extent inherent in the supervision of foreign loans contracted by private individuals, seemed in principle undesirable. Indirectly a certain influence could be brought to bear by the arrangement whereby the Finance Minister of the Reich could refuse exemption from the restricted liability to taxation under § 115 of the Income Tax Law of August 10 1925 and the reduction of the Securities Tax under § 29 paragraph 5 of the Law for a Tax on the Movement of Capital as amended by the Law of August 10 1925, for which application is probably made in every case. Where tax privileges of the kind were under consideration, the Advisory Office took part (see below) whenever there was a question of the mortgage bonds of Landschaften, Stadtschaften, mortgage banks etc.; where loans of other undertakings were under consideration, a certain connection with the Advisory Office was maintained in that various members and reporters of the Advisory Office took part in the discussion in virtue of their chief office. As the loans were almost without exception concluded before the submission of the applications for tax privileges, the rejection of the applications was bound to lead to difficulties. In order to overcome these (and not least in the interest of

the borrowers) the Finance Minister of the Reich has urged the Reichsverband der deutschen Industrie and the Deutscher Industrie und Handelstag to take steps to ensure that industrial undertakings etc. submit the proposed loan terms for consideration by the Finance Ministry before the final conclusion of the loan agreement, in order to ascertain whether tax privileges are likely to be granted.*

3. A further question arose as to whether the Regulations should not be extended to cover at least the foreign loans of concerns in which the Federal States, communes or associations of communes are interested to the extent of more than 50 per cent, to the foreign loans of private mortgage banks, Landschaften and landowners' credit institutions, the foreign loans of Stadtschaften and the Ecclesiastical loans to be issued abroad.

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* In the meantime, in view of the improvement on the home capital market and of the fact that as early as its meeting of May 19, 1926 the Sixth Committee of the Reichstag decided in future to show greater reserve in the granting of tax privileges for foreign loans, the Finance Minister of the Reich declared on December 4 1926 that for the present he would not be in a position to advocate tax privileges for foreign loans to the Reichsrat or Reichstag. At the meetings held on December 8/9 and 14 1926 the Reichsrat and the Sixth Committee of the Reichstag approved this declaration by the Finance Minister. Further, the Sixth Committee of the Reichstag passed a resolution expressing the hope that in future no tax reductions would be granted for foreign loans.

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The inclusion of the loans of undertakings whose capital is entirely or for the most part held by public institutions was thought to be impracticable for the present, as it was held that they should not be treated otherwise than as private undertakings. There are however reasons for considering the question as not yet finally settled. The question as to whether the conversion of a communal concern into a joint stock or limited liability company at the time when a foreign loan is contracted is to be looked upon as an evasion must be considered according to the circumstances of each individual case.

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In regard to the loans of institutions under public law, such as Landschaften and Stadtschaften, and the loans of private mortgage banks, an arrangement has been made with the Reichsrat, which together with the Committee of the Reichstag is consulted by the Finance Minister in regard to applications for exemption from taxation, whereby the opinion of the Advisory Office on the proposed sale abroad of mortgage bonds is submitted to the Reichsrat together with the application from the credit institution.

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It is only possible for the opinion of the Advisory Office to be obtained in regard to ecclesiastical loans to be issued abroad in cases where the Government of a Federal State has the right to approve the contracting of ecclesiastical loans. In Prussia this is the case. The Prussian Minister

for Science, Art and Education has in principle declared his readiness to hear the opinion of the Advisory Office before giving his consent to ecclesiastical loans. The Governments of the other Federal States do not all follow the same course. For the most part however they have promised to use their influence with the ecclesiastical departments concerned in order to induce these voluntarily to obtain the opinion of the Advisory Office before issuing a loan. Up to the present the Advisory Office had been consulted only once in regard to an ecclesiastical loan. It then became clear that it is impossible to apply the Regulations to ecclesiastical loans, so that special Regulations would be required if the Advisory Office had to express its opinion on such loans. It would however be difficult to draft such regulations.

II. MEASURES TAKEN TO RESTRICT THE FOREIGN LOANS OF PUBLIC INSTITUTIONS.

1. Loans to which the restrictions apply.

Under the Law of March 21 1925 and the Regulations (Annex IV) the following are subject to special restriction:

a) the foreign credits and loans of the Federal States, communes and associations of communes, whether these are procured directly or indirectly through currency institutions under public law or

through private currency institutions or in some other way;

b) foreign credits and loans of the communal Giro associations, including their banking institutions, which are destined for the Federal States, communes or associations of communes and similar loans of other credit institutions whose special function is to satisfy communal credit requirements or to administer mortgage credit;

c) the guarantees and securities assigned by the Federal States, communes or associations of communes for foreign loans in favour of third parties.

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Foreign credits and loans in the sense of the above list also include loans, the interest payments and redemption of which are to be effected in German currency, since the Advisory Office holds the view that so far as the effect on the currency is concerned it is immaterial whether foreign media of payment have to be obtained in Germany or whether Reichsmarks have to be sold abroad. The issue abroad of part of a home issue also comes under this category. In so far as separate blocks of the loan are issued abroad the Advisory Office is undoubtedly competent. In all cases in which issues of the kind have become known to it it has emphasised its competency and protested against evasions on

the part of the Governments of the Federal States.

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The Advisory Office has always taken the term security in the sense of the Regulations to include every general guarantee based on laws, statutes or any agreement with the borrower. Consequently communal Giro associations, State banks, Stadtschaften etc. have to submit their foreign loan proposals to the Advisory Office in so far as the loans are backed, even in the last resort, by the liability of a commune, circle (Kreis) province etc. The Governments of some Federal States take a different view based on the wording of letter A of the Regulations which speaks of guarantees and security assigned for the benefit of third parties by the State, commune or association of communes. They hold that no guarantee has been assumed and no security assigned where, either through a separate legal transaction not connected with the foreign loan, or in virtue of the structure of the institution contracting the loan, a purely internal liability of a commune or association of communes exists as against the debtor. It is in their opinion essential that direct legal relations exist between the communes or associations of communes as guarantors on the one hand and the foreign lenders on the other hand. This interpretation is not in keeping with the lines on which the Regulations and the Law of March 21 1925 were built up. In

the sense of the negotiations which led to the drafting of the Regulations it is immaterial whether the security is directly expressed to the lender or only to the borrower or whether the guarantee is merely a general one previously assumed. The action taken by public associations on behalf of third parties was, as already stated, one of the primary causes for the creation of the Advisory Office and the importance attributed to action by the taxation authorities on behalf of third parties is most clearly shown by the provisions of letter C, which denies that any cases in which guarantees are granted or security assigned can be looked upon as unobjectionable. In its widest sense the expression "security" should include all cases in which foreign credits and loans for third parties receive the support of a public association. The fact that the restriction of guarantees and security to third parties directly concerned was not contemplated is immediately clear from the Law of March 21 1925, the object of which is to fill in any gaps in the system of communal supervision and which speaks only of guarantees and security and not of guarantees and security assigned in favour of third parties.

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There may be some doubt as to whether and how far the foreign loans of State banks are subject to the control of the Advisory Office. The final protocol concluded in connection with the agreement on the Regulations (Annex V),

point 2 of which deals with the application of the Regulations to the foreign loans of State banks, is not free from ambiguity. Whereas some of the Governments are of opinion that the Regulations were not intended to apply to State banks, the Finance Ministry of the Reich holds the view that only short term foreign loans are excluded, but not long term loans. For the conclusion of long term loans is not an essential function of the State Banks and it was intended to grant independence in foreign borrowing only within the limits of regular business. Up to the present the dispute has been purely academic.

The Regulations likewise express no view on the contracting of loans by the Reich. Nevertheless, in the above mentioned final protocol, the Reich gave an assurance that in the event of recourse to foreign borrowing the Government would proceed in accordance with the principles laid down in the Regulations.

2. Right of the Governments of the Federal States to give their consent without consulting the Advisory Office.

Objection- e foreign ns and dits.

The conditions on which the Federal States may settle questions connected with the contracting of foreign loans without application to the Advisory Office are explained in letter B of the Regulations.

According to the Regulations the material points to be considered are the form, the maximum charge, the utilisation and the guaranteeing of the loan.

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a) Short term foreign loans contracted by the Federal States for not more than one year are to be looked upon as unobjectionable, in so far as they are intended for the provisional swelling of working funds and repayment is guaranteed on maturity, so that no provision is made for conversion into a long term loan.

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The long term foreign loans must be contracted for at least ten years but may be called in by the debtor after not more than five years. This provision is not restricted to the Federal States alone but covers equally the foreign loans of communes, associations of communes, communal Giro associations etc.

The loans are required to run for long periods (although with a restriction as to the length of time allowed - see page 25) since in principle foreign money should only be used for productive purposes and in general the degree of productivity to be attained is likely to allow of only moderate sinking fund payments in addition to the service of interest. Gradual amortisation spread over a long period reduces the demand per annum and so makes it easier for the individual debtor and the national economy to repay the

borrowed capital to a foreign creditor. In view however of the high interest rates which still have to be paid on foreign loans, the borrower must be free to profit by the anticipated fall in the interest rate, that is, he must be able to offer to repay the capital or to reduce the rate of interest (conversion). It is for this reason that the debtor should be granted the right to repay the loan after not more than five years.

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b) The maximum rate of the charge involved by loans, which is fixed by the permanent members of the Advisory Office and communicated to the Governments of the Federal States according to the general position, more particularly on the foreign and home capital markets, may not be exceeded without consultation with the Advisory Office.

When the Advisory Office began to function, it fixed the maximum rate at 8 per cent. In the meantime circumstances have altered. The abolition of the prohibition on foreign loans in England at the end of the past year put an end to the monopolistic position of America on the capital market, while in the Netherlands and Switzerland interest in German loans gradually grew with the increasing economic consolidation of Germany. In addition, the German capital market grew stronger. In consequence of these developments the Advisory Office on January 22 1926 reduced

the maximum charge from 8 to 7 per cent for loan schemes not necessarily submitted to the Advisory Office.

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c) One of the most important conditions on which consultation with the Advisory Office is not required for a loan scheme is the fulfilment of the terms laid down in regard to the utilisation of the loan. Any foreign loans contracted by the States, communes or associations of communes must be used for the contracting party's own purposes or for purposes of one or other of the public bodies indicated under A of the Regulations. In particular they shall not be passed on to physical persons or bodies corporate under private law. Further they must be used for directly productive ends. The term productivity is defined as meaning that foreign loans must be employed for such profit-earning investments as by the direct production of the values guarantee out of their own income the interest and sinking fund payments on the capital invested, without having recourse to the general income of a public body. Under the amended Regulations (as already explained under I 1 above) it is said to be important that the investments, either by increasing exports, or by restricting imports, or in some other way, should directly or indirectly serve to promote the economic interests of the Reich as a whole, local interests in themselves not being considered sufficient

justification. Further, the investments must be necessary in the sense that the projected expenditure cannot be postponed until such time as German capital is available for the purpose.

Pledges

d) The last condition required if a loan is to be considered unobjectionable is that no provision shall be made for specific pledges of any kind and that no other businesses shall be involved such as for example the sale of products of Government enterprises.

3. The procedure for the consideration of foreign loans.

Where the conditions explained under 2 above are not in every way fulfilled, and where the Governments of the States nevertheless desire to issue or approve a loan, they are under the Regulations obliged first to hear the opinion of the Advisory Office for foreign loans. The Advisory Office must always be consulted where there is any question of assuming guarantees or assigning security.

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The Advisory Office is a confidential committee of the Federal States and consists of five experts and a representative of the Federal State asking for advice. Of the experts, one is appointed by the Finance Minister of the Reich, one by the Minister for Economic Affairs of the Reich, one

by the Direktorium of the Reichsbank and two by the Federal States. In the Regulations the Federal States appointed the President of the Preussische Staatsbank and the President of the Bayerische Staatsbank as their experts. The expert appointed by the Finance Minister of the Reich takes the Chair at meetings.

The members of the Advisory Office are at present as follows:

Regular members :

Geheimer Regierungsrat Norden, Ministerialdirigent in the Finance Ministry of the Reich, Chairman,

Dr. Heintze, Ministerialrat in the Ministry of the Reich for Economic Affairs,

Reichsbankdirektor Dr. Greve, reporter to the Direktorium of the Reichsbank,

Secretary of State Dr. Schroeder, President of the Preussische Staatsbank (Seehandlung),

Arnold, President of the Bayerische Staatsbank;

Deputy members :

Dr. von Brandt, Ministerialdirektor in the Finance Ministry of the Reich,

Geheimer Regierungsrat Karlowa, Ministerialdirigent in the Finance Ministry of the Reich,

Geheimer Regierungsrat Dr. Reichardt, Ministerialdirigent in the Ministry of the Reich for Economic Affairs,

Dr. Bree, Regierungsrat in the Ministry of the Reich for Economic Affairs,

Reichsbankdirektor Ehrhardt, reporter to the Direktorium of the Reichsbank,

Staatsfinanzrat Breckenfeld, member of the General Administration of the Preussische Staatsbank,

Staatsfinanzrat Köbner, member of the General Administration of the Preussische Staatsbank,

Staatsrat Dr. von Wolf, Bavarian deputy representative on the Reichsrat,

Oberfinanzdirektor Moroff of the Bayerische Staatsbank,

Oberfinanzdirektor Flamme of the Bayerische Staatsbank.

The management of the Advisory Office is in the hands of the Finance Ministry of the Reich.

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The views of the Advisory Office are not absolutely binding on the Federal States. If however a State does not wish to comply with the opinion expressed by the Office, an effort has first to be made to come to an agreement with the Office, which has to reconsider the loan scheme at another meeting to be attended if possible by special experts (without the right to vote). If no agreement can be reached in this way, the applicant State, before coming to a final decision regarding the contracting of the loan, must consult the Committee on which all the States are represented by the number of votes corresponding to their representation in the Reichsrat (letter C, paragraph 2, of the Regulations). The

States have undertaken to comply with the decision of this Committee of the Federal States except in cases of absolute urgency. It is doubtful whether in practice it would be possible to reject the views of the Committee, since it would be difficult successfully to contract a loan against the finding of the Advisory Office and the opinion of the Committee.

It has not yet been possible in practice to refrain from consulting the Advisory Office in the matter of long term loans; on the other hand in two cases where short term foreign loans were contracted by a State temporarily to swell the working funds in the hands of its Treasury recourse to the Advisory Office was not considered necessary.

Up to the present no appeal has been made to the Committee of the Federal States, which is proof enough of the harmonious collaboration between the Advisory Office and the Government of the States. In a few cases the Advisory Office has been requested to reconsider loan schemes forming part of joint loans. In these cases the Governments of the States were in a position to bring forward new points of view which were not fully appreciated when the first decision was taken.

III. WORK OF THE ADVISORY OFFICE.

Up to the present, as stated above, no long term loans have been contracted without consultation of the Advisory Office (see letter B of the Regulations). On the contrary, all long term foreign loans of the Federal States as well as - with a few evasions - all the loans of the communes and associations of communes and those foreign loans which are accompanied by the guarantee in some form of other of a Federal State, a city, or association of communes etc. have been submitted to the Advisory Office. From January 1925 to September 30 1926 the Committee held 87 meetings and expressed its opinion on 25 communal loans, 9 State loans, 2 agricultural loans and 6 industrial loans.

The following table shows the total amounts applied for, recommended and issued:-

	Applications RM	Recommendations RM	Issues RM
1. Communal loans	891 178 420	461 365 200	459 828 000
2. State loans	464 508 000	409 200 000	409 200 000
3. Agricultural loans	115 000 000	115 000 000	115 000 000
4. Loans for industrial undertakings	238 500 000	213 300 000	213 300 000

The loan applications of the communes, which were largest in amount, were reduced by about 48 per cent. (For further details see Annex VI). Of the communal loans 277 627 200 RM fall to 1925 and 183 738 000 to 1926, while of the loans of the Federal States 138 600 000 RM fall to 1925 and 270 600 000 RM to 1926. For this division the date of recommendation has been taken, since it was not in every case possible exactly to ascertain the date of issue of the various loans. On a basis of the dates of issue the figures for 1926 would probably be larger.

1. Form of the foreign loans.

The form of the loans submitted to the Advisory Office was as a general rule not open to objection.

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The loans ran for periods of ten, fifteen, twenty, twenty-one, twenty-five and twenty-six years; in one case the loan ran for thirty years. The average length of time is twenty or twenty-five years. Since, where loans are issued ~~at~~ below par, the length of time influences the general charge involved, by the distribution of the discount over a corresponding period, but since there is no guarantee (especially as importance is attached to the possibility of earlier repayment) that in reality the loan will not be fully amortised before the expiration of the period for which it was issued, the Advisory Office thought it desirable in no

case to base its calculation of the total charge on a period of more than twenty-five years.

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No loans have been submitted which could be called in a shorter period than five years; the Advisory Office has however considered loans with a longer time limit for recall which it was impossible to reduce. Examples are the loans of the Deutsche Rentenbank-Kreditanstalt and the Sächsische Landespfandbriefanstalt, which are not repayable under ten years.

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Investigation of the agreements has frequently brought to light special charges on the borrower which for various reasons could not be looked upon as tolerable. In such cases the Advisory Office has endeavoured to obtain alterations in the agreement.

In one case the Advisory Office had occasion to deal with a delivery clause inserted in a subsidiary contract. The production of the money was made conditional on the placing of orders with the industry of the lending countries. Although the orders required were relatively small and the condition might have been compensated in part by a reciprocal obligation, the Advisory Office refused to recommend the loan on account of the importance of the principle involved.

In many cases the lenders have secured options on loans issued later by the same debtor. In so far as there was a danger that the freedom of action of the borrower might thus be restricted for relatively too long a period, the Advisory Office recommended that alterations should be made in the draft agreement.

It was not in all cases possible to avoid assigning pledges; as far as possible however the Advisory Office has acted on the lines of letter B IV of the Regulations. It has approved of mortgage security only for loans which are agricultural or industrial in character and are guaranteed by States or communes; in the case of purely communal loans on the other hand it has refused its approval, since the pledging of public property appeared undesirable, the tax capacity of the communes should afford the lender sufficient security, and in particular the accumulation of security for public loans implies the danger that the terms for the loans of private concerns will suffer.

All agreements contain the stipulation that where real security is in future assigned for other loans the loan under consideration will be similarly secured. The justification for this demand by lenders must be admitted.

2. Maximum charge for foreign loans which have to be submitted for approval.

Maximum charge

Consideration of the financial consequences of the loan forms a very important part of the work of the Advisory Office. The Advisory Office calculates the maximum charge on a basis of the formulae for compound interest and annuity calculations with the assistance of the Spitzer tables. The calculation is most carefully effected with the result that the total charge calculated by the Advisory Office is almost always higher than that computed by the banks and borrowers - in particular if the much used American tables are employed. The Advisory Office considers inter alia the additional charge resulting from semi-annual interest and amortisation as opposed to annual payments, as well as the increased cost of a loan, the interest on which begins to run from an earlier date than that on which the proceeds are paid over, with no provision for its reimbursement.

Until the end of 1925 the total interest charge which the Advisory Office thought tolerable on foreign loans varied between 9 and 8½ per cent. As a result of the improved conditions on the capital market in the first quarter of 1926, the Advisory Office has since the end of March 1926 only recommended loans, the total charge on which amounted to about 8 per cent. In the last few months a further improvement in loan terms has been noticeable. This is clear both

from the nominal rate of interest and also from the net interest paid on the loans. Where previously the 7 per cent loan was the general rule, the gross rate of interest has fallen in some cases to 6½ or even 6 per cent. The net charge on the loan of the Free State of Prussia, which the Advisory Office considered on September 24 1926, amounted approximately to only 7½ per cent. The charge represented by the loan terms of the Free and Hanseatic City of Hamburg, on which the Advisory Office expressed an opinion on September 21 1926, works out at 7.24 per cent.

3. Utilisation of the foreign loans.

The main function of the Advisory Office is consideration of the use to which the loans are to be put.

The general conditions which must be fulfilled by loans which are looked upon as unobjectionable and so are not subject to approval have already been mentioned. As stated in the amended Regulations the same conditions are to apply when loans which have to be submitted for approval are under consideration.

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1. The prohibition on loans for third parties is meant primarily to cover loans in favour of industrial groups in difficulties. Nevertheless it has repeatedly happened that public associations have contracted foreign loans for

investment purposes on behalf of undertakings which are entirely or for the most part owned by them, or have guaranteed the loans of such undertakings. Where no special objections existed, the Advisory Office has approved such loans since the undertakings were able to obtain more favourable terms owing to the intervention of the public associations, or because the production of the money was made conditional on such intervention. In one case however, that of the Sächsische Landespfandbriefanstalt, a loan was approved in which the State guarantee was given in favour of a purely private industrial concern. The Advisory Office discussed in detail the dangers which this assumption of liability by the State might imply, more particularly because foreign lenders, if the practice were once begun, might make it a matter of principle to demand guarantees of the kind or might endeavour to force unfavourable loan terms upon industries or industrial undertakings not publicly supported in this way by the Reich or the Federal States. The Advisory Office is of opinion that attempts of the kind would fail. It is however also of opinion that liability should not be assumed by the States for the foreign loans of private undertakings. It only withdrew its objections in consideration of the quite special circumstances which induced the State of Saxony to intervene on behalf of its industry and in view of the precautions taken to ensure that

the State guarantee should apply only in the last resource. The decision in this case must not be taken to imply that assent will in future be given without difficulty in the case of guarantees for loans of private industry by public departments. This was expressly stated in the course of the conversation with the representatives of the Governments of the States held on February 10 1926.

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2. The most favourable employment for the proceeds of the loan is of course their utilisation for investments which themselves produce values for export or for necessary home consumption, that is to say, values which procure or save foreign media of payment. In the case of the foreign loans of the Federal States and Communes, the achievement of this end is immediately clear only in a few cases, such as the harbour schemes of Hamburg and Bremen etc. The Advisory Office has however given preference to loans which at least indirectly reach the end in view owing to the fact that the acquisitions or extensions contemplated are intended for the development of industry, in particular the export industry, and of agriculture. On the other hand, consent has usually not been given for loans the proceeds of which were intended to serve purely local interests. In view of the above mentioned considerations, the supply of electric power, gas or water was usually approved. Nor was the rule followed

that only large industrial centres or places with large individual industrial undertakings should contract foreign loans. On the contrary small communes which are the centres of important home industries have been given permission to borrow abroad. It follows that the loan schemes of other and larger towns had to be rejected where the sole object in obtaining foreign money was to produce higher revenues by improving the municipal undertakings. It must be admitted that it is difficult to distinguish between an improvement in municipal concerns which is of benefit to the whole country and an improvement which is of benefit to the commune only. The Advisory Office has endeavoured to settle the difficulty fairly by putting detailed questions to the municipal representatives, by carefully investigating the data submitted and by hearing technical experts.

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The Advisory Office has had in individual cases to deal with loan schemes, the proceeds of which were to serve for taking over existing premises, the construction of canals, harbours and roads, the construction of bridges, the opening up of industrial territory, the laying of narrow gauge railways and tramways, the development of the car parks of transport undertakings, the acquisition of car depots, the extension of hospitals, improvements to treatment appliances, the installation of central heating plant, the construction or extension of slaughter houses and markets, the acquisition

of cattle markets and fish markets, and the provision of public baths and dwelling-houses.

Of these schemes the Advisory Office rejected inter alia plans for dwelling houses as not being productive in the sense of the Regulations. With due recognition for the urgent need for house building, the Office felt unable to recognise that the necessary funds should be procured by foreign borrowing, but thought that recourse should be had to the home market. Exceptions are possible, such as for example where the construction of dwelling-houses for the workmen of an industrial concern is an absolute necessity.

The provision of central heating plant and public baths with the help of foreign money could likewise not be approved.

With certain exceptions where special importance to the nation as a whole could be proved, schemes were rejected for the opening up of industrial territory. One of the reasons for refusal was that no profits were to be expected, at any rate until later.

The Advisory Office has made it a practice to refuse consent to the taking over of existing premises by means of foreign money, on the grounds that from the point of view of the nation as a whole the actual ownership of the premises is immaterial.

In regard to the transport schemes the Advisory Office was at the outset prepared to admit that these were at least indirectly productive, in view of the fact that with the housing shortage in the big cities good transport facilities might be of use to industry. For this reason it gave its consent, in the case of the first loan schemes submitted to it for approval, to the utilisation of foreign money for the development of tramways. Upon reflection however that in this way the demand on the foreign capital market would be very heavily augmented - owing to the large amount involved as a result of the inadequacy of the communal transport system in many cities - the Office very soon altered its practice in the matter. Nevertheless even subsequently it did not reject every transport scheme. Even until quite recently it has admitted exceptions in special cases where the interests at stake were particularly great, and more especially where it could be definitely proved that the means of transport to be instituted were essential for transit between large factories and the homes of the workers.

In the case of harbour schemes a distinction was made between those for maritime traffic and those for inland navigation. The Advisory Office was prepared to give full approval to installations intended for maritime traffic (for which in particular Hamburg and Bremen borrowed foreign money) on the assumption that our trade balance and the

balance of payments would thus be served. On the other hand reserve was displayed where the harbour schemes were for inland shipping. In almost all cases the schemes were for Rhine harbours; together they would have meant so great an extension in the harbour space on the Rhine that there was bound to be doubt as to their economic necessity. The Advisory Office, while not considering it desirable to reject in principle all schemes for inland harbours, was nevertheless of opinion that the investment of foreign money should be restricted to harbour constructions in towns which in the first place are already ports and in the second place can prove the absolute necessity and urgency of the improvements or extensions proposed.

Where the Office has recommended other schemes whose productivity in the sense of the Regulations or whose urgency might seem doubtful, special reasons were present. Among these may be mentioned the various projects designed to avert epidemics - e.g. projects for drainage - very few of these projects obtained approval - schemes for the construction of slaughter houses and cattle markets and schemes for the laying of water pipes.

The Advisory Office in one case approved the utilisation of foreign money for the construction of roads, since the fact that the local industry was financially

interested in the scheme appeared to show that the improvements contemplated would directly serve to promote industrial interests.

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In a limited number of cases which involved relatively unimportant sums allowance was made in dealing with the schemes of the towns of East Prussia, Silesia and the Palatinate for the circumstance that the fixing of the frontier without regard to economic interests, separation from the mother country, or the burden of foreign occupation had inflicted special losses upon the districts concerned.

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In addition to the urgency of investments, the likelihood of profit has always been carefully considered and in principle approval has been refused for schemes in the case of which it seemed likely that instalments for depreciation or amortisation would have to be met from public funds.

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3. Even however where the constructions planned could be shown to be productive, profitable and immediately urgent, the need for borrowing on the foreign capital market is not necessarily at once admissible. It is necessary as a matter of course to show - and this is a condition not specially emphasised in the Regulations - that the applicant has no funds which are already available or could be released or procured in some other way in order entirely or temporarily

to avoid the necessity for foreign borrowing.

The Advisory Office has several times had occasion to enunciate this principle in dealing with the communes - and that with regard to past action no less than present action on the part of the latter - since a number of towns have used surplus funds or money borrowed in Germany for less urgent and valuable purposes than those contemplated for the foreign money. On these grounds the Advisory Office has made its approval of foreign borrowing conditional on the circumstance that at the time of application or during the period of execution of the schemes to be financed with foreign money there were no funds at the disposal of the borrowing commune which might be used for less urgent purposes. It has further examined whether in the recent past applicants for loans have carried out schemes which might have been postponed in favour of those which it was proposed to execute with the help of foreign money. It has required a statement to this effect from the Governments of the Federal States and in addition in some cases demanded to see the draft budget and estimates of the communes and associations of communes.

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4. Further, the Advisory Office has displayed reserve in cases where it has had to consider the financing of the completion of schemes already carried out in whole or in part. This applies more particularly to cases in which communes,

having procured short term money from savings banks or communal banking institutions, wish to repay the loan with foreign money.

The following were the reasons for the reserve displayed by the Advisory Office. In the first place the repayment of the short term credit did not seem urgent enough to prevent waiting until it was possible to obtain long term money in Germany. A further point was that, if in consideration of the necessity for covering a short term loan the Advisory Office gave its consent to schemes which it would otherwise not approve, the Bank might lend to another commune the money thus repaid; in which case the Advisory Office might within a short interval be again forced to a decision against its better judgment.

In the case of schemes which were already carried out in whole or in part the Advisory Office was inclined as a general rule to approve no foreign loans. In practice however it was unable always to apply this strict rule especially in the case of schemes which were financed with the help of bill credits or with assistance from regular budget funds absolutely required at a later date for other purposes. In particular the Office was bound to admit that it was in keeping with a sound financial policy for the States to advance available funds of the ordinary budget for undertakings under the extraordinary budget until the most

favourable time for contracting a loan.

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5. Under present circumstances the Advisory Office sees a peculiar danger in the attempt often revealed to include in a loan all the sums required for the complete execution of a scheme, although this may take years. It is of course understandable that the responsible authorities are unwilling to begin the construction of premises etc. until the full amount of the funds required is assured. In the general interest however it seems necessary to cover only the most urgent requirements with foreign money, in order to prevent heavy indebtedness on the part of Germany. There is also the fact that foreign moneys which will probably not be required until a later date may produce a liquidity of the money market which does not rest on normal economic processes and may give the illusion of a capital wealth which does not actually exist, with all the disadvantages attendant upon such exaggeration. Finally, it must be remembered that the service of interest on borrowed reserves may meet with difficulties. The Advisory Office does not in general support calls on the foreign market for a period longer than the next building season, although it is aware that under certain circumstances there may later be hindrances in the way of the completion of work taken in hand.

It is the duty of the Governments of the Federal States to see that the proceeds of loans really go to the purposes for which they were intended. In the few cases, in which information has reached the Office that its opinion has not been observed or that attempts have been made to evade its authority, it has immediately drawn the attention of the Governments to the matter.

During the one and three quarter years of its existence criticism has frequently been levelled at the activities of the Advisory Office. While those who described its work as beneficial and approved even the details of its conduct have never been lacking, unfavourable judgments have been much more numerous; some have taken the line that the Advisory Office should have been much more restrictive than was the case, and others the opposite view that the Office has gone too far in its disapproval of loan schemes and has not taken the justifiable demands more particularly of the communes sufficiently into account. Criticism was keenest in connection with the so-called "Sammelanleihen" or joint loans of groups of communes borrowing in combination, which the Advisory Office had to consider. Seven joint loans were submitted to the Advisory Office, one each from the communes

of Wurtemberg, Baden, Hesse, and Thuringia in 1925, and in the first half of 1926 the loan of the Deutscher Sparkassen und Giroverband, in which communes, circles (Kreise) and communal utility associations in almost all German States wished to take part and which finally covered the loan of the Thuringian towns as well as the loans of the towns, communes and circles of the Rhineland and Westphalia. In this way loan schemes were submitted to the Advisory Office of altogether more than 600 communes, including small and insignificant communes, which in some cases demanded sums quite out of proportion to their population. The Advisory Office was forced to cut down the amounts very strictly although in spite of this very considerable loans went through.

The Advisory Office admits that in spite of every restriction the total of foreign loans has become very considerable. It must not however be forgotten - and this should be borne in mind by those who look on the work of the Advisory Office as a hindrance - that the very existence of an Office examining the necessity and desirability of loans has increased the inclination of foreign countries to lend to the German communes and States. It must be remembered that foreign lenders have attached great importance to the opinion given on the lines of the Regulations of the Advisory Office and that in this way it has been easier for the towns

to borrow abroad. Against its will the Advisory Office has encouraged and promoted the readiness of the foreign capital market to take up German loans, and it is impossible to tell what influence any cessation of the work of the Office might have on the inclination of foreign countries to produce money.

Two factors of importance for the policy to be followed in the matter of foreign loans have in the meantime come to the fore viz. the re-opening of the home capital market and the Government programme for the provision of work. In the course of 1926 it was possible to place in Germany a relatively large sum in loans of the States and cities. It must however be remembered that the money requirements of the public authorities are still large and probably exceed the capacity of the home market, so that the regulating influence of the Advisory Office is still needed. We cannot yet permanently renounce the influx of foreign capital, but under all circumstances we must prevent the accumulation in return of a hasty and disproportionate indebtedness to foreign countries.

Annex I.

DECREE OF NOVEMBER 1 1924 ON THE CONTRACTING OF FOREIGN LOANS BY THE FEDERAL STATES, COMMUNES AND ASSOCIATIONS OF COMMUNES.

(Reichsgesetzblatt Part I, page 726).

The following is hereby decreed in virtue of Article 48, Paragraph 2, of the Constitution of the German Reich:

§ 1

In order legally to contract credits abroad or legally to issue loans abroad the Federal States, Communes and associations of communes require the consent of the Finance Minister of the Reich.

The same is required for the legal assumption of guarantees or assigning of security by the Federal States, communes or associations of communes.

§ 2

The Finance Minister of the Reich may only refuse his consent with the approval of the Reichsrat.

§ 3

With the approval of the Reichsrat the Finance Minister of the Reich may issue provisions in execution of the present Decree.

§ 4

The present Decree will come into force on the date of its promulgation. It will cease to apply on January 31 1925.

Annex II.

DECREE ON THE CONTRACTING OF FOREIGN LOANS BY COMMUNES AND ASSOCIATIONS OF COMMUNES ISSUED BY THE PRESIDENT OF THE REICH ON JANUARY 29 1925.

(Reichsgesetzblatt Part I, page 7).

In virtue of Article 48 paragraph 2 of the Constitution of the German Reich I hereby decree as follows:

§ 1

In order legally to contract credits abroad or legally to issue loans abroad the communes and associations

of communes require the consent of the Finance Minister of the Reich, in so far as under the provisions of the legislation of the Federal States the contracting of credits or the issue of loans is not already subject to approval by supervising authorities.

§ 2

The Finance Minister of the Reich may transfer his right of consent under § 1 above to the supreme authority in the Federal State.

§ 3

With the approval of the Reichsrat the Finance Minister of the Reich may issue provisions in execution of the present Decree.

§ 4

The present Decree will come into force on February 1 1925. It will cease to apply on February 28 1925.

Annex III.

LAW OF MARCH 21 1925 ON THE CONTRACTING OF FOREIGN LOANS BY THE COMMUNES AND ASSOCIATIONS OF COMMUNES.

(Reichsgesetzblatt Part I, page 27).

The Reichstag has passed the following law which is hereby promulgated with the consent of the Reichsrat, the requirements for legislation in amendment of the Constitution being found to be duly fulfilled:

§ 1

In order directly or indirectly to contract foreign credits or directly or indirectly to issue loans abroad, and in order to assume guarantees or assign security for such credits or loans, the communes and associations of communes require the consent of the Finance Minister of the Reich, in so far as under the provisions of the legislation of the Federal States the contracting of credits or the issue of loans and the assumption of guarantees or the assigning of security for such credits and loans is not already subject to approval by supervising authorities.

The provisions for associations of communes within the meaning of paragraph 1 above also apply to communal Giro associations including their banking institutions in so far as they contract foreign credits or issue loans abroad which

are to be passed on to the Federal States, communes or associations of communes.

§ 2

The Finance Minister of the Reich may transfer his right of consent under § 1 above to the supreme authority of the Federal State.

§ 3

With the approval of the Reichsrat the Finance Minister of the Reich may issue executory provisions.

§ 4

The present Law will come into force on the day following its promulgation.

It will apply to all agreements of the kind described in § 1 above concluded after February 1 1925.

The Government of the Reich is empowered to abrogate this law with the consent of the Reichstag.

Annex IV.

REGULATIONS FOR THE CONTRACTING OF FOREIGN LOANS BY THE STATES, COMMUNES AND ASSOCIATIONS OF COMMUNES.

A.

The Federal States agree that, in order to maintain the stability of the currency and on general political grounds,

the contracting of foreign loans by public bodies should be strictly restricted. The States therefore mutually undertake, when contracting such foreign loans as are urgently required, to observe the following regulations or to see that they are observed. These regulations shall apply to any foreign loans which are directly contracted by States, Communes or associations of communes, or indirectly on their behalf by public or private banking institutions, or are obtained in any other way. In so far as the foreign loans are to be given to States, Communes or associations of communes, they shall apply in particular to the foreign loans of communal Giro clearing associations, communal banking establishments or other communal credit institutions, whose function it is to satisfy communal credit requirements or to administer mortgage loans. Similarly they shall apply to any guarantee or security for foreign loans assigned for the benefit of third parties by the States, Communes or associations of communes.

B.

The contracting of foreign loans which conform with the following conditions (B III paragraphs 2 and 3 do not apply to short dated loans of the States under B I, 2) shall be considered as relatively unobjectionable and therefore not subject to the procedure indicated under C:

I. Form of loan.

1. Long dated loans, that is to say, loans which are contracted for at least ten years, but may be called in by the debtor after not more than five years;

2. Short dated foreign loans contracted by the States for not more than 1 year, and solely for the provisional swelling of working funds (Betriebsmittel), provided the States in a formal declaration to the Advisory Office (Beratungsstelle) - see under D - guarantee that repayment will be made without fail on maturity and that there will be no question of conversion into a long dated loan. The nominal amount, the conditions and the creditor's name shall be notified to the Advisory Office not later than eight days after the loan has been contracted. If from the notifications the Advisory Office finds that the frequency of the dates of payment, the accumulation of the amounts contracted or any other circumstance is likely seriously to endanger the currency, it is entitled upon notifying the States to apply temporarily, but not for longer than three months, the procedure provided for under C to the above short dated foreign loans, notwithstanding anything hereinabove provided.

II. Maximum Charge.

The annual maximum charge to be fixed by the Advisory Office in accordance with D, paragraph 2, calculated on the basis of the net proceeds after allowing for discount upon issue and having regard to the sinking fund conditions, commissions to intermediary parties and any other expenditure, shall not be exceeded.

III. Utilisation of the foreign loans.

Any foreign loans contracted by the State, Communes or associations of communes must be used for the contracting party's own purposes, or for those of one of the public bodies indicated under A. In particular they shall not be passed on to physical persons or bodies corporate under private law.

The foreign loans must be used for directly productive ends, that is to say only for such profit-earning investments as by the direct production of values guarantee out of their own income the interest and sinking fund payments on the capital invested, without having recourse to the general income of the public body. It is important that the investments, either by increasing exports or by restricting imports or in some other way, should directly or indirectly serve to promote the economic interests of the Reich as a

whole; local interests in themselves are not sufficient justification.

The investments must be necessary in the sense that the projected expenditure cannot be postponed until such time as German capital is available for the purpose.

IV. Guaranteeing of the foreign loans.

The conditions shall not provide for specific pledges of any kind, nor shall they involve any other businesses, such as for example the sale of products of Government enterprises.

C.

Before contracting the foreign loans which come under A, but which do not conform with the conditions under B, as well as before offering guarantees for security for foreign loans, the Government of the State concerned shall, on its own behalf or on behalf of its Communes or associations of communes, Giro clearing houses and other credit institutions indicated under A, consult an Advisory Office, which shall examine whether the loan in question is undesirable for the reasons explained under A, or for the purposes to which it is to be put. When examining the purpose of the loan the Advisory Office shall in principle observe the

regulations laid down in B, III. When examining the question of urgency, it shall bear in kind whether the total amount of foreign loans approved or the number of applications submitted has reached a figure which, in the interests of the currency or of the loan terms which it is desirable to obtain, should not in the meantime be exceeded. The States are entitled to make verbal representations to the Advisory Office in regard to the proposed loan. The Advisory Office shall express its opinion promptly and shall notify the Finance Ministry of the Reich and the Government of the State concerned accordingly.

If a State does not agree with such opinion, an effort shall first be made to come to an agreement with the Advisory Office, which shall reconsider the loan scheme in another meeting, which shall if possible be attended by a special expert (without the right to vote). If no agreement can be reached, the State, before coming to a final decision regarding the contracting of the loan, must consult a Committee, whose members shall be appointed by the Governments of the States and on which the several States shall be represented by the number of votes corresponding to their representation in the Reichsrat. The simple majority vote of this Committee shall be decisive. The Governments of the States shall themselves decide whether and how far they wish

to conform with the opinion of the Committee. But at the same time the States agree that their own interest in the application of the principle set forth under A paragraph 1 makes it desirable to adhere to the opinion of the Committee.

D.

The Advisory Office, which shall be a confidential committee of the States, shall consist of experts. It shall be composed as follows:

1. an expert to be appointed by the Finance Ministry of the Reich who shall act as chairman,
2. an expert to be appointed by the Ministry of the Reich for Economic Affairs,
3. an expert to be appointed by the Reichsbank-Direktorium:

as experts appointed by the States:

4. Dr. Schroeder, President of the Preussische Staatsbank,
5. Arnold, President of the Bayerische Staatsbank,
6. from time to time a Government representative of the State applying for an expression of opinion.

Deputies may be appointed for the experts indicated under 1-3. In the event of the experts named under 4 and 5 being prevented from taking part, deputies shall be appointed by the Advisory Office. The Advisory Office shall draw up

standing orders which shall be communicated to the Reichsrat. The management shall be in the hands of the Finance Ministry of the Reich.

To keep pace with developments, the Advisory Office shall constantly examine the conditions indicated under B, consider any objection to their application which may have arisen, and, if necessary, propose amendments to the States. The maximum rates for the charges in respect of the loan (B II) shall be independently fixed by the permanent members of the Advisory Office according to circumstances. In addition it is one of the functions of the Advisory Office to watch the foreign money markets and, where possible, to supply information, for example regarding favourable opportunities and the reliability of persons acting as intermediaries for the negotiation of loans. The States are under obligation to keep the Advisory Office informed as to their experiences and to communicate to it the nominal amount, the conditions, the object and the name of the creditor in the case of any foreign loans contracted by them or by their public bodies, Giro clearing houses or other credit institutions indicated under A, in so far as these do not otherwise require to be notified to the Advisory Office. The Advisory Office shall give the States the benefit of its experiences.

E.

The States shall see that the above regulations are observed by their communes, associations of communes, Giro clearing houses and other credit institutions indicated under A.

F.

The above agreement shall be valid until June 30 1925, and is automatically renewed as from that date for periods of three months, unless notice of withdrawal is given by one of the States four weeks before the expiration of such periods.

Annex V.

FINAL PROTOCOL.

1. At the meeting held in the Finance Ministry of the Reich on December 23, 1924, the authorised representatives of the Federal States agreed to observe the Regulations when foreign loans are contracted which are intended for the Federal States, communes or associations of communes.

2. The representatives of the States refused to agree to the application of the Regulations for the contracting of foreign loans to the State banks of the various Federal

States. On the other hand it was understood that the State banks may not contract unlimited foreign loans, that is to say, without regard to their endowment capital, and that the Federal States may not use their State banks in order to evade the Regulations.

3. The representatives of the States declared that the States will comply with decisions of the Committee of the Federal States mentioned under C, paragraph 2 of the Regulations, except in cases of absolute urgency.

4. Should the decisions of the Committee of the Federal States not be adequately observed, the Government of the Reich proposes to make the intervention of the Committee decisive. The representatives of all the Federal States, with the exception of Bavaria and Wurtemburg, declared that in this they support the Government of the Reich.

5. The representative of the Reich declared that, in the event of recourse to foreign borrowing, the Reich would proceed in accordance with the principles laid down in the above Regulations.

ANNEX VI (1)

I. COMMUNAL LOANS

	Applications	Recommendations	Issues
1. Wurtemberg towns	$ 10 000 000	$ 8 400 000	$ 8 400 000
2. Durlach	$ 270 000	$ 81 000	included in the loan of the Baden Girozentrale under 10
3. Kommunale Landesbank Darmstadt	£ 2 000 000	$ 4 000 000	$ 3 600 000
4. Heidelberg	$ 1 500 000	$ 1 500 000	$ 1 500 000
5. Lindau	Swiss frs. 1 500 000	GM. 1 200 000	GM. 1 200 000
6. Berlin	$ 15 000 000	$ 15 000 000	$ 15 000 000
7. Cologne	$ 15 000 000	$ 10 000 000	$ 10 000 000
8. Munich	$ 10 000 000	$ 8 760 000	$ 8 700 000
9. Dusseldorf	$ 6 000 000	$ 1 775 000	$ 1 750 000
10. Baden Girozentrale	$ 7 500 000	$ 4 300 000	$ 4 500 000
11. Frankfort-on-Main	$ 8 000 000	$ 4 000 000	$ 4 000 000
12. Duisburg	$ 4 300 000	$ 3 000 000	$ 3 000 000
13. Dresden	$ 15 000 000	$ 5 000 000	$ 5 000 000
14. Association of Thuringian towns	Originally submitted as an independent loan, but subsequently merged into the loan of the German Giro Association (No. 21)		
15. Königsberg in Prussia			
16. Community of German mortgage banks	GM. 15 130 000	GM. 10 800 000	GM. 10 800 000
17. Various towns in the Palatinate	$ 5 000 000	$ 3 800 000	$ 3 800 000

(1) The loans are shown in the order in which they were approved.

18. Leipzig		$ 6 000 000	$ 5 000 000	$ 5 000 000
19. Nuremberg		Originally submitted as an independent loan, but subsequently merged into the loan of the German Giro Association (No. 21)		
20. Kissingen				
21. Association of German Savings and Giro banks		$ 63 760 500	$ 23 000 000	$ 23 000 000
22. Landesbank der Rheinprovinz	Dutch guilders	38 000 000	D.G. 12 300 000	D.G. 12 300 000
23. Chemnitz	RM.	6 780 000	-	-
24. Cloppenburg	Dutch guilders	1 500 000	D.G. 1 000 000	D.G. 1 000 000
25. Province of Westphalia		£ 2 848 300	£ 835 000	£ 835 000
Total in RM.		891 178 420	461 365 200	459 828 000

II. STATE LOANS

1. Bremen		$ 15 000 000	$ 15 000 000	$ 15 000 000
2. Bavaria		$ 15 000 000	$ 15 000 000	$ 15 000 000
3. Oldenburg		$ 6 000 000	$ 3 000 000	$ 3 000 000
4. Anhalt		$ 4 000 000	$ 2 000 000	$ 2 000 000
5. Baden	Swiss frs.	56 800 000	S.F. 40 000 000	S.F. 40 000 000
6. Hamburg		$ 5 000 000	$ 5 000 000	$ 5 000 000
7. Bavaria		$ 10 000 000	$ 10 000 000	$ 10 000 000
8. Prussia		$ 20 000 000	$ 20 000 000	$ 20 000 000
9. Hamburg		$ 12 500 000	$ 10 000 000	$ 10 000 000
		£ 2 500 000	£ 2 000 000	£ 2 000 000
Total in RM.		464 508 000	409 200 000	409 200 000.

III. AGRICULTURAL LOANS

	Applications	Recommendations	Issues
1. Bavarian agricultural cooperative societies with the guarantee of the Bavarian Government	GM. 10 000 000	GM. 10 000 000	GM. 10 000 000
2. Rentenbank-Kreditanstalt	$ 25 000 000	$ 25 000 000	$ 25 000 000
Total in RM.	115 000 000	115 000 000	115 000 000

IV. LOANS FOR INDUSTRIAL UNDERTAKINGS

1. Sächsische Werke	$ 15 000 000	$ 15 000 000	$ 15 000 000
2. Rhein-Main-Donau A.G.	$ 6 000 000	$ 6 000 000	$ 6 000 000
3. Sächsische Landespfandbriefanstalt	$ 10 000 000	$ 5 000 000	$ 5 000 000 (1st tranche)
4. Bezirksverband Oberschwäbischer Elektrizitätswerke	$ 5 000 000	$ 4 000 000	$ 4 000 000
5. Berliner Elektrizitäts A.G.	Sw. frs. 30 000 000	Sw. frs. 30 000 000	Sw. frs. 30 000 000
6. Sächsische Werke	$ 15 000 000	$ 15 000 000	$ 15 000 000
Total in RM.	238 500 000	213 300 000	213 300 000

Translation 4040 (including 3843 - Annex IV -) from the German: translated BWS: checked RB and NL.

EFD

I.I. 9.322 DOC. 232.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 9,1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN DECEMBER 1926.

(Cf. Doc. No. 299)

The Deutscher Reichsanzeiger No. 31 of February 7 1927 published the table of receipts and payments of the Reich for the month of December 1926. The table is given below: the figures for September - the corresponding month of the second quarter - have been added.

	1926			
	September	April-November	December	Total for first 9 months
		(in million RM)		
A. ORDINARY BUDGET.				
Receipts				
a) from taxation.....	544.9	4 725.9	567.3	5 293.2
b) administrative.....	44.0	276.9	48.8	325.7
Total.....	588.9	5 002.8	616.1	5 618.9
Payments				
a) general administrative.	405.1	2 867.2	472.2	3 339.4
b) Reparation payments....	41.5	239.8	51.4	291.2
c) Transfers to the States	319.4	1 732.9	176.3	1 909.2
Total.....	766.0	4 839.9	699.9	5 539.8
Deficit brought forward....	177.1	-	83.8	-
Surplus brought forward....	-	162.9	-	79.1
Surpluses from financial years 1924 and 1925, as distributed each month.....	30.9	256.0	36.0	292.0
Budget deficit.....	146.2	-	47.8	-
Budget surplus.....	-	418.9	-	371.1

	1926			
	September	April-November	December	Total for first 9 months
		(in million RM)		
B. EXTRAORDINARY BUDGET				
Receipts.....	-	1.3	0.3	1.6
Payments				
a) general administrative including charges arising out of the war...	63.0	331.9	40.8	372.7
b) Reparation payments...	-	104.1	-	104.1
Total.....	63.0	436.0	40.8	476.8
i.e., net payments to be met out of loans.....	63.0	434.7	40.5	475.2
C. RECEIPTS AND PAYMENTS FOR THE FINANCIAL YEAR 1925-1926				
Receipts.....	2.7	48.7	-	48.7
Payments.....	52.9	348.1	38.2	386.3

STATE OF THE FLOATING DEBT AS ON.....	September 30	November 30	December 31
1) Obligations to pay..	18.6	9.7	9.7
2) Guarantees.....	50.9	50.9	50.9
3) Loan from the Post Office.....	100.0	100.0	100.0

Remarks

I. The Ordinary Budget in December 1926, as in the last months of other quarters, shows a deficit in respect of actual receipts and payments (RM 83.8 millions; in June and September the deficit was RM 84.1 and 177.1 millions respectively). The total surplus accordingly amounts to RM 79.1 millions on December 31 as against 162.9 millions on November 30.

Returns from taxation in December exceed those of September by RM 22.4 millions (cf. Doc. 230), - administrative receipts by RM 4.8 millions, total receipts by RM 27.2 millions.

The diminution of payments by RM 66.1 millions is due to the transfer of taxes to the Federal States and Communes. General administrative payments show a marked increase amounting to RM 67.1 millions, which must be attributed in particular to special Christmas bonuses paid to officials, pensioners, unemployed, etc... Part of these could not be paid until January. The total amount of these bonuses has been estimated at RM 69.5 millions (cf. Doc. 224).

Transfers to the States and Communes totalled RM 176.3 millions. A note appended to the table shows that 62.3 millions due on account of taxes in December were not paid until January. On the other hand 60.4 millions due from taxation receipts in November, were transferred in December. Taking these figures, which practically balance, into account the payments due in December amount to RM 178.2 millions.

II. The figure for Reparation payments remains the same as in November (RM 51.4 millions) in conformity with the recent agreements. The payments are composed as follows:

	in million RM
Normal budgetary contribution.....	9 148
Supplementary budgetary contribution.....	17 963
Transport Tax.....	22 440
Paid into the reserve fund of the Commissioner of Controlled Revenues.....	1 830
Total.....	51 381

It will be noted that all these payments are still included in the Ordinary Budget, as the supplementary budget transferring the payment in respect of the reserve fund for the Commissioner of Controlled Revenues to the Extraordinary Budget was not published until after December 31 (Law of January 8 1927).

III. Extraordinary payments in December (40.8 millions) are slightly below those of November (43.8 millions). Payments to be met out of loans totalled 475.2 millions on December 31 as against 434.7 millions on November 30.

IV. Taken as a whole, ordinary and extraordinary receipts and payments yield a gross deficit of 396.1 millions for the first nine months of the financial year. This figure is reduced to RM 104.1 millions if the surpluses from previous financial years are taken into account.

On the other hand the actual total of receipts and payments realised during the current financial year or on account of the preceding financial year, will be found to amount to RM 5 669.2 millions in the case of receipts and RM 6 402.9 millions in the case of payments, leaving a deficit of RM 733.7 millions. This deficit has had to be covered by available surpluses from previous years (RM 400.1 millions) and by means of the reserve created to meet outstanding payments from the financial year 1925-26 (RM 382 millions). The funds officially available when receipts and payments have been balanced would accordingly be reduced to (782.1 - 733.7) RM 48.4 millions.

V. The Finance Minister draws attention to the fact that it must not be concluded from the surpluses hitherto shown in the Ordinary Budget that the surplus at the close of the financial year will be as great; from 300 to 400 million RM will then be required to meet "outstanding" payments for the year.

THE FLOATING DEBT.

The position with regard to the Floating Debt remains unchanged on December 31 1926 in respect of the figures given for November 30.

(Signed) L. GAILLET-BILLOTTEAU.

Translation 4095 (from the French): translated UP: checked NL.
AA

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 1, 1927

THE PRODUCTION OF THE CONTRIBUTIONS IN RESPECT OF REPARATIONS.

(The following is the translation of a pamphlet containing the results of a study of the question in a Seminar of the University of Bonn by Hans Staehle).

During the 1926 summer term I conducted "Discussions on the Reparation question" in the Seminar for Political Science of the University of Bonn. It was clear from the outset that the few weeks of a summer term were quite inadequate for the study of such a question in all its aspects. The subject of study was therefore cut down to "the functioning to date of the Dawes Plan and its future prospects in view of Germany's capacity to pay, but apart from the transfer problem". Five Committees were formed among the thirty members of the Seminar, and each Committee was entrusted with the study of one sub-question. The Dawes Plan itself provided the various sub-questions : Industrial Charge, questions connected with the Railway, State Budget, Index of Prosperity and Reichsbank. The first three Committees were entrusted with the task of examining the capacity of the parties charged to raise their several contributions on the assumption that there are no transfer difficulties of any kind. To define and facilitate the task, each Committee had submitted to it clearly formulated questions, the answers to which, when combined, gave of necessity a solution of the main question. The Committee detailed to examine the Index of Prosperity was asked to examine in principle what requirements such an Index was called upon to satisfy, and - having ascertained this - to express an opinion on the Index in the London Agreement with proposals for improvement if it should think fit. The Reichsbank Commission was designed to throw light from the technical side on the transfer question. Its studies represented the final stage in the study of the problem of raising reparations, and served to emphasise the limitations of the results obtained.

The several Committees assembled the results of their researches in separate reports which were submitted to the combined Seminar for discussion in the ordinary hours for debate.

After the separate results arrived at by the Committees had been thoroughly discussed, representatives of all five combined to draw up a main report as to the possibility of meeting Germany's obligations. The main report assembled the results of the separate examinations from the standpoint of national economic interests.

The reports of the Committees on questions connected with the Railway and the Index of Prosperity together with the main report on the raising of the reparation contributions are reproduced below in extenso, together with a summary of the results obtained by the Committees on the Industrial Charge and the State Budget.

The responsibility for the form and the substance of the reproduction of the results obtained by my Seminar is entirely mine.

A. THE INDUSTRIAL CHARGE.

The Report of the Committee on the industrial charge begins with a systematic recapitulation of the most important points in the Industrial Charges Law (Industriebelastungsgesetz) and the Law in execution of the Industrial Charges Law (Aufbringungsgesetz). The composition and functioning of the special administrative and control organisations are then described (Bank für deutsche Industrie-Obligationen and Trustee). The second part of the Report is devoted to an analysis of the provisions of the Assessment Law of the Reich (Reichsbewertungsgesetz)on which is based the fixing of the working capital and as a result the calculation not only of the amount of the debentures to be issued but of the interest to be paid. A detailed study was made of the question of balance-sheets, of the effect on the charged concern in respect of its power to compete on the German and foreign markets, and of the effect on credit. As the actual interest charge is not to be regarded as a capital debt but as an annual debt, that is to say as a tax, and only amounts to 0.375 per cent of the working capital, it can only be in quite exceptionally unfavourable cases that an addition to the burden of taxation of such small dimensions - i.e. absolutely not relatively - will be likely to cause the individual concerns insuperable difficulties. An opinion can only be formed of the effect of the charge on the trades and industries subjected thereto by taking it in conjunction with the rest of the taxation burden. The reader is therefore referred to the Report on State Budget questions and to the Conclusions.

B. THE GERMAN RAILWAY COMPANY.

When the question of reparations was reorganised by the London Agreements in 1924, the Concession of the Railways of the Reich was transferred to an independent German Railway Company. As a concern operated on business principles, this Company is expected to contribute 660 millions towards reparations during a normal reparation year. It also functions as an official authority for the collection of the Transport Tax; the Reich is responsible for the raising of 290 millions annually from this Tax, and not the Company.

The subjects for investigation are the extent to which it has been possible to raise the charge hitherto, and the prospects for the future profitable operating of the Company.

To a presentation (I) of the position of the German Railway Company in regard to capital and of its obligations to be met out of its revenue we add an analysis (II) of the general conditions under which revenue is obtained by transport concerns and more especially of the possibilities of obtaining revenue open to the German Railway Company. A third section (III) is devoted to a consideration of the results hitherto obtained. The Conclusions (IV) contain our opinion of the future prospects of the Reichsbahn.

I. Position in regard to capital and obligations to be met out of income.

The efforts of the German Railway Company to operate its lines at a profit are conditioned by the position in regard to the capital and the obligations in respect of the same. The position is as follows :

a) The ordinary shares (13 milliards) are registered in the name of the Reich or of the Federal States. They represent the share of the Reich in the property of the Reichsbahn. There is no question of earning profits on them, or at any rate there is no obligation on the Reichsbahn to pay interest on them. As and when the working capital is exhausted, they will be exchanged for Reichsbahn property.

b) Of the 2 milliards of Preference Shares, 500 millions are the property of the Reich. The remaining 1.5 milliards are destined to supply the Railway Company with the necessary working capital and funds for plant expenditure during the initial months of its existence.

c) The 11 milliards of Bonds represent the annuity claims of the reparation creditors. The service of interest and sinking fund (5 + 1 per cent) until the year 1964 represents the direct reparation contribution of the Railway Company.

The German Railway Company is therefore required to produce 660 millions, plus interest on the preference shares (about 7

per cent) amounting to 140 millions, making together therefore approximately 800 millions per annum. During the transition years the liability amounts for the first business year (which does not coincide with the Dawes year) to 330 millions, and for the second and third business years to 465 and 550 millions respectively, plus interest on preference shares, the amount of which depends on the number of such shares issued. In addition a legal reserve has to be created by an annual contribution of at least 2 per cent of the operating receipts, and has to be fed until it has reached the amount of 500 millions.

The total profits which must be obtained will not therefore exceed about 800 millions. For the obligation to form a reserve is an obligation which is not only in the interest of the creditors but in the direct interest of the Company itself.

From a formal point of view the Transport Tax only represents a contra entry for the Reichsbahn. It is collected on behalf of the Reich in the form of certain fixed supplements to the existing tariff rates. We will return later to a discussion of its influence on the drawing up of the tariffs.

Is the obligation to obtain annual net profits to an amount of 800 millions capable of execution ? An examination of the possibilities of earning income and of the results hitherto obtained will supply the answer to this question.

II. Possibilities of earning income.

1. As with any other business concerns, the net profits of the Reichsbahn are obtained by a surplus of income over expenditure. In the case of transport concerns income depends almost exclusively on the returns from the volume of traffic and the tariff rates. On the other hand the expenditure, apart from capital expenditure, remains relatively constant, that is to say it is relatively uninfluenced by the amount of business done (volume of traffic), for the operating costs of railway concerns increase heavily in proportion as their volume of traffic decreases. The higher the amount of traffic, the more favourable the ratio between income and expenditure. Traffic however is dependent on the level of tariff charges and the general economic situation. The following points accordingly arise.

Inquiry into the volume of transport should be divided into :

a) inquiry into the volume of passenger transport, and

b) inquiry into the volume of goods transport.

As to a) Passenger transport is more elastic than goods transport. Quite small reductions in tariff rates increase traffic considerably, whilst slight increases are liable to restrict it heavily.

As to b) Goods transport is dependent upon the geographical relations (distance etc.) between producers and consumers and is far

less elastic. A certain, and indeed a relatively high, volume of traffic will always be in demand for the reason that differentiation in favour of one locality as against another as a result of temporary conditions of the tariff level is very unlikely to call new undertakings into being in view of the constant possibility of change. Motor traffic, waterways, etc. offer a certain margin of relief when the demand for goods transport has been reduced to the indispensable minimum by excessively high rates. But it is possible to imagine cases where - if the railway is the sole means of transport and the goods in question satisfy relatively unimportant requirements - excessive tariff rates may lead to the complete cessation of transport of these classes of goods. Most of the goods transported satisfy however intensive and relatively unelastic requirements, so that, (assuming equidistance of the place of consumption from all the places of production) when consumption has reached the minimum level, the consumer bears the entire tariff rates.

From the above considerations it can be seen that transport concerns have not a free and independent hand when determining their tariff rates. On the contrary they have to do the best they can, like every other monopolist. Their efforts in this direction find expression in the classification of tariffs according to the value of the goods, the grading of rates according to the distances to be covered and preferential tariffs for certain classes of goods and routes; all these things may be described as the discriminative fixing of monopoly prices.

2. When considering the finance of the German Railway Company, the following items must be opposed to one another on an equal footing : on the one hand (1) the sum of the net operating costs, (2) the sums written off to reserve, (3) the liabilities on account of interest, and (4) the proceeds from the Transport Tax; on the other hand (5) the sum of the "other receipts", (6) the proceeds derived from the volume of traffic and tariff rates, and (4) the proceeds from the Transport Tax.

As to (1) Operating costs. The fundamental reorganisation of the Reichsbahn (under § 2 of the Railway Law) enforces upon the Company the obligation to rationalise to the utmost, and more especially in so far as the net operating costs are concerned. To this end the Company has taken the following steps. On the administrative side it has introduced the system of accounting by the separate Direktionen instead of in Berlin (two-monthly balance-sheets); it has "debureaucratised" the personnel and asserted the principle of payment by results; and it has reorganised the procedure of appointments. On the operating side it has cut down staff, restricted constructional work on railway stations and lines, curtailed its purchases of locomotives, passenger and freight cars, improved the distribution of the work on the permanent way, standardised the passenger and freight car park, concentrated its workshops and introduced the Kunze-Knorr brake. It has further exacted payment at cost price for the services rendered by the Railway to the Reich and the Postal Administration, which in the case of

the Postal Administration alone amounts to approximately 80 millions per annum; it has developed its interest in the Verkehrskreditbank, and in various competitive undertakings, and so forth. The execution of these measures will only make itself definitely felt after some years have elapsed, and will involve in the meanwhile a relatively constant annual item of the net operating costs.

As to (2) Reserve account. In the Final Operating Account for 1925 64.1 per cent of the material expenditure went to payments for "maintenance and renewal of permanent way and structures" and the "rolling stock and machine plant", and only the balance was carried over to the profit and Loss Account. In addition to this figure 113.4 millions (2 per cent. of the operating receipts) have been entered in the Profit and Loss Account and also in the Balance-Sheet as "Legal reserve" and 150 millions as "reserve for writing off concession and against risk of loss", so that the component elements of theprofits are not entirely visible from the Profit and Loss Account. But it may be said that with time, however the items are shown in the accounts, the amounts written off to reserve in the statements of the Reichsbahn will tend to become constant to a certain degree.

As to (3) Liabilities on account of interest. The interest on the Railway bonds amounts during a normal annuity year to 660 millions, the interest on the preference shares to 140 millions. This item is also constant.

As to (4) Transport Tax. Formally and from the accounting point of view this is a contra entry. The payment of the amount of the proceeds from the Tax is balanced by an equal amount representing the proceeds received. It cannot however be denied that the tax supplement which in virtue of the rates fixed in 1917 has to be added for the duration of the Concession to the tariffs of April 1 1924 has affected the volume of traffic to the same extent as a similar increase of tariff rates would have done. When fixing its prices, the Reichsbahn is therefore obliged to regard the Transport Tax as a tax on volume of production. For the price actually demanded from the consumer determines the volume of traffic, and must be taken by the Reichsbahn as the basis of its estimates of the latter.

The Transport Tax is therefore just as much a factor to be considered when determining the total cost-price as any other cost-price factor. As with all monopolies, this may have far-reaching effects on the price policy of the Reichsbahn. Were it a concern working exclusively for the highest profits, it would have to use its tariff rates as the instrument with which to earn its monopolistic maximum. Assume for the moment that this is actually the position - and it is certainly not far from it - and it may then be said that the Transport Tax, being unlimited as to amount and calculated not on the net profits but on the turnover, involves a higher tariff level if the maximum is to be attained than would be the case without the Tax. The extent to which the tariffs are actually raised depends upon the demand and cost curves in each individual case. If it is assumed however that the costs of the Reichsbahn increase as traffic

volume decreases and that the demand is affected very easily by slight modifications in price (I), the maximum would be attained with a very slightly lower tariff scale and a larger volume of traffic, if there were no Transport Tax. On the above assumption therefore the Transport Tax means a modification in the attitude of the Reichsbahn towards the country. We therefore consider that we cannot approve the form of this Tax, for the reason above all that in its present shape - although the effects on the volume of traffic may not be excessive from the point of view of the national economy - it represents a very uncertain item in the Budget of the Reich; and such uncertainty was never so undesirable in the interests of our State finances as now. We therefore recommend that the Tax should be transformed into a fixed levy, or calculated on the net profits.

As to (5) "Other receipts". This item, although not constant, is insignificant.

As to (6) Proceeds from turnover and prices (volume of traffic and tariff rates). The Reichsbahn can here exercise a direct influence only on the fixing of the tariffs. The volume of traffic is affected by the tariffs according to the conditions of demand prevailing. The principles enumerated above under II - 1 as generally applying to transport concerns are narrowed in the calculation of tariffs to three factors, viz : cost price, carrying capacity of the goods in relation to their value (that is to say the demand), and in close connection with the latter the competition with other means of transport. In this connection a line must be drawn between a) German and b) foreign means of transport.

An examination of the competition within Germany requires the consideration primarily of 1. motor traffic, and 2. inland shipping.

a) 1. Motor competition covers both the transport of passengers and of merchandise. So far as privately owned cars or lorries are concerned, the lack of documentary evidence makes any estimate impossible. Generally speaking, the competition of private cars can only deprive the Reichsbahn of a very limited number of clients, in view of the very high cost of cars in Germany. Private motor lorries however deprive the Company of just that class of goods traffic which under the system of rate graduation according to value and distance is intended to bring the largest profits, namely short-distance transportation of high-value goods. It remains to be seen whether future developments of this private motor lorry traffic may not force the Reichsbahn radically to modify its system of tariffs.

The competition of the organised motor traffic, which is almost exclusively restricted to the transport of persons (furniture removals excepted), has been rendered somewhat less acute by an agreement concluded between the leading organisation of these concerns and the Railway Company. An example of the manner in which the Reichsbahn is endeavouring to meet this class of competition is to be found in the agreement which (according to the Kölnische Zeitung No. 435 of June 14 1926) has been concluded between the Cologne Direktion of the Company and the Rheinische Verkehrsgesellschaft A.G. of Cologne for the common operating of a motor repairs workshop. Upon being approached by the paper in question, the Direktion of the Reichsbahn stated that the argument for the action taken was to be found in the financial interest of the Reichsbahn in the Company

in question. This illustrates the manner in which the Reichsbahn, where it is unable to compete technically, endeavours not only to divert direct competition but to foster co-operation with the competing party.

As to 2. A study of the competition between inland shipping and the Reichsbahn must take into account not merely the respective rates for the transport of the same class of goods by the two methods, but also the factor of time, which for the consignor is of decisive importance. As the time required for transport by land is very considerably less than that demanded by water - in the case of the distance Duisburg-Mannheim for example the ratio is as 7 to 1 - there is never any question of competition for high-value goods and express consignments. Enquiries have revealed that the rates for coal - which, together with agricultural products, is almost exclusively transported by water - stood at the end of June 1926 as follows per unit transported on the routes from Duisburg-Ruhrort to Coblence, Mayence and Mannheim :

	By water (per ton)	By rail (per ton)
	RM.	RM.
Duisburg-Coblence	1.70	5.70
Duisburg-Mayence	2.70	8.50
Duisburg-Mannheim	3.00	10.50

Relatively high supplements must be added to the shipping freights for insurance and various dues; for example, loading with

the help of coal-tips in Duisburg costs 16 pfennigs per ton. The Railway allows special rates for coal which are graded for distances over 350 kms. This seems to imply that the Reichsbahn does not wish to compete with the waterways with these special rates. As a matter of fact it is unable to compete with them in the case of coal, especially now that the acute competition between the shipping concerns themselves and the establishment of shipping freights on a market basis (Ruhrort Shipping Bourse) has led to the fixing of extraordinarily low rates. It is also probable that the Reichsbahn has decided to allow inland shipping a certain amount of play to enable it to exist, as a certain amount of the traffic in coal must always fall to it. River shipping can only become a real danger to the Reichsbahn, if the waterways are widely extended and more parts of the country are opened up to access by water. By special rates for transshipment and port dues the Reichsbahn endeavours to lessen the urgency of the demand for extension of the waterways. While therefore the Reichsbahn makes certain concessions to inland shipping to enable it to exist, it opposes its further extension to the utmost of its power.

The future alone will show whether <u>air transport</u> will prove a serious competitor to the Railway.

b) In order to attract foreign traffic as much as possible over German lines, and also to prevent it from being diverted outside the frontiers of Germany, the Reichsbahn has felt obliged to allow preferential treatment to purely transit traffic. These transit

rates amount today in some individual cases to practically as little as 20 to 25 per cent of the rates demanded from the German client for the same route. It might be thought that such a big reduction would injure the private interests of the Reichsbahn; but there is a definite limit to this kind of concession. Preferential rates of any kind can never be less than the specific cost of the transport. The total surplus derived from the tariff as a whole contributes to cover the fixed costs, and the traffic thus attracted to the Railway, however small the surplus derived from it may be, remains profitable. But even when the rates only cover the specific cost of transport, additional traffic can still be important from the point of view of the national economy (in the interest of seaports, utilisation of German shipping lines etc.), and may thus assist the Reichsbahn indirectly. Conflict between private interest and the interest of the community could only arise, if it were proposed on grounds of public interest to introduce rates too low even to cover the specific cost of transport.

It is nevertheless possible to imagine cases where even the granting of preferential rates covering more than the specific cost of transport is absolutely prejudicial to private economic interests and cannot be justified even on grounds of railway policy, for example the special Hamburg harbour dues granted to Holland. This leads to a reduction of the volume of traffic on the Reichsbahn and renders the original purpose of the Hamburg special tariff, which was intended to support a German seaport and German shipping,

illusory. The Reichsbahn should only consent to such measures when it has secured itself in every direction.

Thanks to its position as a monopoly and to its large capital resources the Reichsbahn has a very strong position as compared with its competitors, especially as it is not forced to work for profit over and above its interest liabilities, as private transport concerns have to do.

From the above observations it can be seen that all the items in the amount mentioned above, with the exception of the proceeds from tariffs (6), tend to become constant if they are not already constant. The significance of tariff policy is thus seen in a new light. It is further clear that the charge on the Reichsbahn would be excessive, if the proceeds derived from the volume of traffic and the tariff rates did not give a fairly constant minimum sum. Our experience unfortunately is too short to make it possible to form an opinion as yet from past results as to future figures under normal conditions.

III. Analysis of the business results to date of the German Railway Company.

1. The first business year (from October 1 1924 to December 31 1925).

Final operating account.

Operating receipts :	
Passenger traffic and luggage....	1 710 992 983.84
Goods traffic.....	3 536 888 629.76
Other receipts.....	420 800 905.78
Total.....	5 668 682 519.38
Operating payments :	
(a) Payments to staff :	
Salaries of officials.....	1 300 577 030.35
Wages of employees and workmen of Traffic Department.....	430 427 574.26
Wages of Permanent Way workmen.....	172 901 844.87
Wages of workmen employed in the workshops.....	329 737 695.94
Pensions and retaining pay of officials, pensions of widows and orphans.....	493 513 438.02
Other payments on account of staff..	287 052 610.74
Total (a) Payments to staff.....	3 014 210 194.18

(b) Payments for material :

Various supplies and working material, coal, etc.....	540 177 604.99
Maintenance and renewal of permanent way and structures.....	606 913 642.99
Maintenance and renewal of rolling stock and machinery.....	571 202 589.57
Other payments for material.....	117 415 338.34
Total (b) Payments for material.....	1 835 709 175.88
Total (a) and (b) Operating Payments	4 849 919 370.06
leaving surplus.....	818 763 149.32

Profit and Loss Account

Dr.			Cr.
Service of Reparation Bonds.....	399 308 860.00	Operating Surplus.....	818 763 149.32
To Legal Reserve...	113 373 650.39		
Reserve for writing off concession and against risk of loss.....	150 000 000.00		
NET PROFITS :			
Preference dividends	2 965 666.67		
Carried forward	153 114 972.26		
	156 080 638.93		
	818 763 149.32		818 763 149.32

The above figures make it possible to establish the traffic equation for the first operating year.

The net operating payments are divisible into payment to staff and for material, and amount to 4 850 millions. 38 per cent of this figure falls to material and 62 per cent to payments on account of staff. The last item totals 3 014 millions and is divisible into 2 233 millions for salaries and wages and 493 millions (that is to say roughly 10 per cent of the total operating payments) for pensions and annuities. Payments for material total 1 835.7 millions. Out of this figure 657 millions were paid for coal etc. and various supplies together with other material payments, whilst 1 178 millions were devoted to the maintenance and renewal of plant (structures and machinery). The stocks of working supplies existing on the day the balance-sheet was drawn up were assessed at 485 millions. It is not clear to what extent the rolling stock is also included in this figure in addition to the fuel and various supplies. The balance-sheet contains an item of 239 millions "Concession in respect of increases to plant". From this it can be seen that of the payments entered in the final operating account at 1 178 millions for maintenance and renewal of plant those which went to renewals were not immediately written off. The Profit and Loss Account contains on the credit side a working surplus of 818.7 millions. It is derived from a subtraction of the operating payments from the operating receipts. As operating receipts we are given passenger and goods traffic and other receipts.

Passenger traffic.....	1 710.9	millions
Goods traffic.....	3 536.9	"
Other receipts.....	420.8	"
Operating receipts.....	5 668.6	"
Less Operating payments.....	4 849.9	"
Working surplus.....	818.7	"

On the debit side we find the service of interest and sinking fund, the reserve and the net profit. The Transport Tax being a contra-entry does not appear at all. The following traffic equation may therefore be given for the year 1924/1925 :

Payments on account of staff.....	3 014	millions
Payments for material 1 835 millions		
Less Increases to plant 239 "	1 596	"
Operating payments.....	4 610	"
Legal reserve.....	113	"
Writing off concession.....	150	"
Increases to plant.....	239	"
Reserve account.....	502	millions
Interest liabilities.....	402	"
Transport Tax.....	X	"
Net profits.....	153	"
Total.....	5 666 + X	millions

Other receipts.....	420 millions
Proceeds from tariff rates.....	5 246 "
Transport Tax.....	X "
	5 666 + X millions

Traffic equation : 5 666 + X = 5 666 + X.

It has therefore been possible to realise the traffic equation during the first operating year with heavy reserves and a considerable surplus.

2. The first quarter of 1926.

It is only possible to effect a comparison with the results of the same period of the preceding year. Unfortunately only the receipts for the first quarter of 1925 can be determined :

	1925	1926
Passenger traffic.....	277.6	263.7
Goods traffic.....	699.4	579.0
Other receipts.....	77.8	76.3
Total.....	1 054.8	919.0 millions

The decrease is therefore general, but is only 15.4 millions in the case of passenger traffic and other receipts, whereas it amounts to 120.4 millions in the case of the goods traffic. It was only possible partially to balance the equation by showing the payments in a particular form. Details of the traffic equation for the first quarter are as follows:

Proceeds from tariff rates.....	842.7	millions
Other receipts.....	76.2	"
Transport Tax.....	X	"
	919	millions
Operating losses.....	109	"
	1 028 + X	millions
Payments on account of staff and material.....	820.4	millions
Reserve account..... 32.7 millions		
Legal reserve..... 18.4 "	51.1	"
Interest liabilities.....	156.8	"
	1 028 + X	millions.

Traffic equation : 919 + 109 + X = 1 028 + X

During the first quarter therefore there was a loss per working day of 1 218 000 RM.

IV. <u>An opinion of the financial results obtained to date by the Reichsbahn is not possible without taking into consideration the general economic conditions under which they were obtained.</u>

We have come to the conclusion that the net profits of railway undertakings in Great Britain, France and Germany are very much affected by "conjuncture" conditions. In arriving at this conclusion, the research data on trade cycles collected by the

London School of Economics, the German Institut für Konjunkturforschung and the data supplied by Professor Pantaleoni in the Annali di Economie, Volume I 1925, page 305 and following, were employed for arriving at the items for each of the years of the trade cycle 1900 to 1913. To determine the fluctuations in the net profits of the Railways the operating surpluses were in each case correlated with the invested capital. We are aware that this amounts to the assumption that the operating surpluses are in a certain proportion to the actual net profits, but we believe that we can justify this view. In the case of Germany the (not improbable) assumption must be made that the actual amount of capital outlay keeps step with the issue of bonds, as owing to the State character of the German undertakings only the amount of the bond capital is made public. Deviations from complete parallelism between the conjunctural curve and profitable working of the Railways are practically everywhere due to the fact that increase in the profit-earning plant has not proceeded pari passu with increase in the nominal capital. Such deviations generally tend to be of relatively short duration. Divergencies which cannot thus be explained would probably be found on closer study of the facts to be due to special features in the relation of operating costs to profits.

We should nevertheless not have felt justified in drawing any conclusions from these data, in view of the shortness of the period to which they are applicable, but for the existence of an exceptionally thorough study of the subject from the pen of K. Tecklenburg.* We nevertheless thought it as well to control those

* K. Tecklenburg, Der Betriebskoeffizient der Eisenbahnen und seine Abhängigkeit von der Wirtschaftskonjunktur (The working coefficient of the Railways and its dependence on the economic conjuncture), Berlin, 1911.

of Tecklenburg's results which refer to the period immediately preceding the war. The strong probability is that the structural changes produced by the war did not modify in principle the rhythm of the conjuncture, and we have for this reason had no hesitation in assuming that what was true with regard to the susceptibility of railway profits to conjunctural influences before the war is most probably equally applicable to the coming years. It is scarcely necessary to say that due reserve must be made for unforeseeable developments in the technique of traffic.

The conjunctural position since the stabilisation cannot be fitted without violence into any conjunctural scheme because the period in question was a period of monetary readjustment replete with exceptional features of its own. That the necessary purging process after the fictitious prosperity of the Inflation was delayed beyond the turn of the year 1923/24 was due solely to the fact that the currency policy of the Reichsbank and the Rentenbank down to April 7 1924, in basing the foreign value of the mark on the dollar, was creating purchasing power on a scale which was excessive now that production had collapsed. The inevitable avalanche of bankruptcies began in the summer of 1924, gathered momentum (after the slight recovery at the beginning of 1925) in the autumn of 1925, and reached its culminating point in January 1926. Subsequent developments all go to show that it was not until the first quarter of 1926 that the "bad" capital investments for which the Inflation was responsible in Germany began to be liquidated.

We are nevertheless of the opinion that the crisis of 1926 is not sufficient to explain away the fall in the receipts of the Reichsbahn. The contrast in the general economic position of the country is not so great as the contrast between the operating receipts of the first quarter of 1926 and the operating receipts of the previous period. We conclude from this that the tariff rates during the first business year, while they served to bring in high temporary profits, were not calculated to realise the maximum results in the future. It would be unjust to blame the Management of the Reichsbahn for that. The Reichsbahn, like the Finance Minister of the Reich, found itself face to face with conditions which were altogether incalculable. The tariff rates of 1925 probably helped to accelerate and to render more acute the crisis which arose at the turn of the year. Once the crisis became an actual fact, the Reichsbahn realised that the former demand was becoming inelastic. It will now require very close attention if the moment when reduction of tariffs will at once increase the returns and help the conjuncture is not to be missed.

If the Reichsbahn succeeds in seizing this moment when it comes, thereby restoring the parallelism between its own profits and the conjunctural curve, and so attains its maximum results, it will be possible to subscribe to the opinion expressed by the President of the Board, von Siemens, at the Board Meeting in Hamburg on July 6 1926, that the Reichsbahn will be in a position to fulfil the obligations imposed upon it by the Railway Law.

C. BUDGET QUESTIONS.

The introduction to this Report contains a statement of the direct and guarantee liabilities in the Budget of the Reich and a description of the method of collection. The fundamental signification of the co-called "assigned revenues" emerges. These last have evinced such buoyancy that the obligations of the Reich are more than covered by them, and the Budget contributions show every prospect of proceeding without a check. There is nothing more for the Finance Minister to do than to reconcile himself to these unavoidable losses. The Budget payments have not yet begun however, and it is not yet clear what way out of the difficulty will eventually be adopted by Germany. The Report is against the formation of reserves out of revenue (as was for some time the practice of the Treasury) in the event of the purchasing power which these Budget contributions represent being again made available to the country in the form of credits: in this event the country might suffer severe loss, were such credits to be suddenly denounced at a critical moment.

The Report - which incidentally gives a summary of the financial record of the Reich in the past, and attempts a comparison (unfortunately not altogether successfully) of the German burden of taxation with that of other States - arrives at the conclusion that the difficulty of the raising of the contributions is not financial, and that the problem is the general problem of the German capacity to pay. The method adopted for the collection of the Budget

contributions does however guarantee the reparation creditors the actual receipt of these payments. The reader is therefore referred in this connection also to the conclusions of the Report.

D. THE INDEX OF PROSPERITY. *

I. Why the rigid obligations of Germany should on grounds of economic reason be rendered more flexible, provided that the reparation contributions are based on the only possible common-sense view, i.e., that of the country's capacity to pay.

According to all rules of economic reason - so far as there can be any question of economic reason in reparation matters - all reparation charges etc. should be based on the capacity to pay of the debtor State. The Dawes Committee adopted this point of view in principle, but did not follow it consistently in its practical proposals. Any attempt to give greater flexibility to the rigid reparation charge must accordingly be correlated with changes in the capacity to pay.

A solution of the reparation problem may be sought either in the direction of what may be called the labour ideal or in the direction of what may be called the rentier ideal. The labour ideal implies that Germany is to be regarded merely as a competitor to be excluded as far as possible from the markets of the world;

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* I wish to tender my special thanks to Herr G. von Eynern (dipl. econ.) for his active co-operation in the preparation and drafting of this section.

the rentier ideal on the other hand implies that Germany is to be regarded merely as the producer and supplier of commodities which the inhabitants of the Allied States can proceed to consume without any effort on their part.*

The Dawes experts compromised by putting Germany's actual capacity to pay at an annual figure of 2.5 milliards, which was taken as a bearable figure; this figure was to remain constant, that is to say was not to be reduced in the future or increased (subject to a restriction to be discussed later - see page 31). As this question cannot be decided on the principles of economic common-sense alone, this point is mentioned as a fact in this connection.

Generally speaking, we understand under a calculation of the capacity of a nation to pay reparations the calculation of the difference between the national income at any given time and the aggregate national consumption with which the debtor state cannot dispense without doing violence to existing moral, political and other non-economic considerations. In Germany's case the dominant political authorities agreed to treat the aggregate national consumption of Germany as identical with her annual consumption in certain standard years (the basic years of the Index of Prosperity). Germany's capacity to pay is therefore equal (quantitatively) in any given year to the difference between the national income of that year and the national income of the basic year. We express this by the

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* See Stamp, Die Grenzen des Transfer (The limits of Transfer), in Magazin der Wirtschaft, 1st year, page 993.

following formula :

Capacity to pay = National income minus basic consumption

(1) Z_n (increment) $= E_n - E_o$.

Obvious objections to this rude initial formula may be rejected without discussion.

a) There is no need when calculating the total capacity to pay to consider changes in the proportion of that part of the allowed income which is consumed to that part which is productive, for the standard of living conceded is so low that there is very little room for such displacement. If moreover (as has been allowed in practice), Germany is to retain a certain proportion of her capacity to pay*, it is only logical for her to retain also the freedom of distributing it.

b) Similarly when calculating E_n the distribution of income, although of great significance from other points of view, is irrelevant in our case. For the economic and financial policy of the Reich is supposed to be directed towards the best possible distribution of income under existing circumstances. For this reason the direct inclusion of industry and the Railway in the reparation payments has no economic significance; it is merely political; it represents a concession to the conception of "productive pledges".

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* "Capacity to pay" here and hereafter is always to be understood within the meaning of the first formula.

c) The deduction of the quantitative equivalent of the capacity to pay as calculated on the above lines would have a stabilising effect on the conjunctural conditions in Germany, since on the upward curve prosperity would be restricted by increased reparation charges (taxes), whereas on the downward curve the depression would be reduced by lessened charges. This stabilising effect would only be regrettable from the standpoint of a harmonious liquidation of the reparation question, if (1) the periods of prosperity or depression ran parallel throughout the world and (2) the amounts collected in one year were transferred during the same year. Only under such conditions would the relative stabilisation of the conjuncture in Germany synchronise with intensification of the conjunctural fluctuations in the creditor states - which under present circumstances would most certainly lead to political complications. Neither hypothesis is applicable to-day or likely to be so for some time to come. Moreover any attempt to take conjunctural influences into consideration when calculating the capacity to pay would meet with insurmountable difficulties; firstly, because the exact effect of the movements of any trade cycle index on the country as a whole is unknown, and secondly because since the war the trade cycles have run in periods which are too short to allow of the recalculation of the capacity to pay and the consequent changes in the amount of the reparation payments affecting the current phase of the conjuncture to any appreciable extent.

For reasons which will be discussed in detail later (page 47) the Dawes Committee itself found it expedient not to

calculate Germany's entire capacity to pay in the above-mentioned sense. The so-called index of prosperity introduced by the Dawes Committee is based on the payment of approximately 1/20th of the German national income as a reparation charge, as may be seen from the following table:

	Milliards of Marks			per cent	Milliards of Marks.	
	E_n	E_o	Z_n	I_w	P_n	S_n
Basic year x	50	50	-	100	-	2.5
" " y	56	50	6	112	0.3	2.8
" " x	60	50	10	120	0.5	3.0

where E_n is the national income assumed for the year in question ;

" E_o is the basic consumption always constant = average national income of the basic year ;

" Z_n is $E_n - E_o$;

" I_w is the index of prosperity according to the London Protocol;

" P_n is the plus capacity = 2.5 milliards x I_w/100, minus 2.5 milliards = 1/20. Z_n = r. Z_n.

" S_n is the sum to be paid according to the Dawes Plan = 2.5 + P_n = 1/20. E_n = r. E_n.

In other words, the Dawes experts, by fixing the rigid figure of 2.5 as a basis and the prosperity supplements according to the formula 2.5 milliards x (I_w/100 minus 1) cause the actual charge to be a constant fraction (r) of the national income for the time being. Assuming that the national income of the basic years amounts to approximately 50 milliards, (r) has the value of approximately 1/20.

The basic idea that Germany's capacity to pay in the above sense is only to be measured partially appears to us easier of realisation by taking a fixed fraction (q), the equivalent of which would have to be decided by negotiation, from the surplus of the national income determined on each occasion in excess of the amount allowed to maintain the standard of living in the basic years, as being the fraction upon which to fix the reparation charge for the time being, and not only the supplementary payments over and above a rigid figure. That is to say :

$$S_m = q.\ Z_n.$$

$$Z_n = E_n - E_o.$$

$$(2)\ S_m = q.\ (E_n - E_o\ ).$$

Changes in population modify the absolute amount of national consumption where individual consumption remains equal. As the figure for the standard of living of the basic years must remain the same per head of the population, in so far as consumption is concerned, the quantity E_o must be multiplied each time by an index of population :

$$I_b = \frac{B_n}{B_o}$$

where B_o is the figure for population of the basic years, and B_n is that of the year for which the charge (S_m) is to be determined. The corrected formula therefore reads :

$$(3)\ S_m = q.\ (E_n - E_o \frac{B_n}{B_o}) = q.\ (E_n - E_o.\ I_b).$$

In view of the technical difficulties in the way of a prompt annual assessment of the national income E_n we propose that this quantity should be determined by multiplying the annual income of the basic years E_o by an index I_e showing the increase in the national income. As science stands at present, this measure of the national income must take the form of a composite index (see Section III). We therefore read :

$$E_n = E_o . I_e .$$

The formula for S_n must also be further modified :

$$(4) \quad S_m = q. (E_o . I_e - E_o . I_b) = q. E_o . (I_e - I_b).$$

According to this formula the amount to be paid annually would therefore be S_m equal to a fraction q (say approximately one-half) of the annual total consumption of the basic years multiplied by the difference between the index of income and the index of population. Where for example the national income increases to a greater extent than the population, it is only logical that the reparations charge must rise, if it is to change in proportion to the capacity to pay.

Apart from the adaptation to changes in the capacity to pay, any relaxation in rigidity designed to facilitate such adaptation must be proportioned to the charges. In order that the nominal amount of the sum to be paid shall rise or fall according to the fluctuations in the value of gold the amount S_m to be paid must be divided by an index of gold values, that is to say

must be multiplied by an index of the price level for commodities.* To calculate this index, the price level of commodities traded on the world markets must be taken as a basis. We will call this index I_p.

The fact must also be borne in mind that in our index of income I_e there are very probably contained price elements (see under III) capable (even on the assumption put forward by the Dawes Committee and subsequently realised, i.e. that Germany would adhere to the gold standard) of making it appear as if there were fluctuations of E_n without corresponding modifications - i.e.commodity modifications - in the national income. Any elements of this index of national income I_e which may be expressed in price must therefore be corrected by dividing* by an index of internal German price levels (I_d). More detailed instructions as to the method of calculating I_e are to be found under Section III. For this reason we have omitted to mention this index of German price levels in the following formula which sums up the results obtained by us.

The final formula reads :

$$(5)\ S_m = q.\ E_o.\ I_p.\ (I_e - I_b).$$

It is quite possible that S_m will be a minus quantity, if

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* For this reason the figure must in the one case be multiplied by a price level index (I_p) and in the other case divided by a price level index (I_d), because in the first case a commodity total has to be expressed which corresponds to the changed money value, whilst in the second case the figures, after elimination of the elements which represent only changes in the money value, are required to serve as useful indices of commodity changes.

the difference ($I_e - I_b$) gives a negative result. Germany should logically receive the minus amount S_m, but this presumably is impossible for political reasons. A complete moratorium should however be the minimum compensation required.

II. Whether the indices contained in the London Protocol are economically serviceable on the tacit assumption underlying the Report of the Dawes Experts that the interests of the creditor States are to be considered in addition to Germany's capacity to pay.

A. The index of prosperity given in the London Protocol abandons the principles proclaimed by the Experts themselves when it considers the interests of the creditors in addition to Germany's capacity to pay. Where Germany's capacity to pay falls below the level of the basic years, she is not released from her liability to pay 2½ milliards. The only effect is that her lessened capacity is credited against such supplementary payments as increased capacity may later impose upon her.

The main idea underlying the Experts' choice of a composite index as the index of prosperity is practical, and an improvement on the 26 per cent reparation duty on exports.

The component elements of the so-called index of prosperity are criticised in the following paragraphs :

a) Population.

aa) Natural increase in population can be due to :

1) higher birth rate;

2) decrease in infant mortality;

3) decrease in the death rate.

1) and 2) temporarily lead to increased consumption without increased production; there is only increased production after fifteen to twenty years.

In the third case there is only increase in consumption. For this reason increase in the population never involves simultaneous increase in capacity.

If it is nevertheless desired to use the figures for population as indices of the causes of change in the national capacity, the only figures used should be those which show the proportionate distribution of the population. For the capacity of a people depends on the proportion between its workers and its consumers.

In this connection however the special circumstances of particular cases must be considered. The position in Germany is as follows.

As the years 1868-1895 were less densely populated owing to the decimation of the male population as a result of war losses (1.9 millions), and the years 1915-1918 were also less densely

populated owing to the lower birth rate due to the war (shortage of approximately 3.4 millions), the following table can be drawn up :

Year	I Dawes Composite Index : Absolute figure for population.	II Number of population capable of working.	III Distribution of population : Proportion of consumers to workers.
1927/29	100	small as compared with 1913 [5]	bad
1930/33	+ [1]	very small [6]	very bad
1934/55	+ [1]	+ small [7]	bad
1956/64	100 [2]	o small [8]	bad
1965/68	+ [3]	more normal [9]	bad
1968/--	100 [4]	+ normal [10]	normal

1) The normal number of deaths is anticipated by the war losses.

2) There is no disturbing element.

3) The normal number of deaths has been anticipated by the fewer number of births during the war.

4) There is no disturbing element.

5) There is a shortage in the male population for the years 1868/95 (ages 32 to 61 years). The years 1896/1914 are normal (ages 13 to 32).

6) Number of new workers very small: the years 1915/18 (ages 12 to 18) less densely populated. The number retiring from work is somewhat less than normal owing to the fact that the years 1868/95 (ages 35 to 65) were less densely populated.

7) Number of new workers normal. Number retiring from work still small but tending towards normal.

8) Number of new workers normal. Number retiring from work normal.

9) Number of new workers normal. Number retiring from work small. The years now approaching the death line, i.e. 1915/18 (ages 47 to 53) are less densely populated.

10) The movement noted under 7) continues and approaches normal. In this connection it has been assumed that the death line for all the years is approximately 50; the results are therefore somewhat more definite than would be actually the case, but the divergences are not fundamental in nature.

Column III is the result of columns I and II. It indicates that the index of population of the Experts rises in the years 1930/38 in spite of the fact that the wage-earning proportion of the population has depreciated and the absolute number of persons capable of working has decreased. This fault tends to disappear in later years but a normal state of affairs is not attained until 1968.

bb) An increase in population might nevertheless be regarded as a symptom of an already existing increase in the capacity of the people, if one believes that increase in prosperity leads to increase in marriages, to a larger number of children per family and to a falling off in the death rate. The Experts appear to adopt all these views without thinking it necessary to explain their attitude towards this difficult problem.

But even if this point of view is not contested, the special conditions prevailing in Germany must be considered (see Column I and Notes 2 to 5).

Only deviations from this line of development, as being the normal line, should be taken as symptomatic.

b) As regards the remaining elements of I_w, the calculation must in all cases be made per head (with the exception of coal consumption where this requirement is already fulfilled). This is all the more necessary in that the number of the population is shown as an independent and parallel (instead of inverse) working

component part of the index.

c) Moreover, nearly all the component indices have the fault of being open to influence :

1. State Budget: transfer of functions hitherto devolving on the State to the Communes and smaller Federal States; non-redemption of loans, etc.

2. Yield from taxation and Customs: assessment by authorities of the Reich.

3. Railway goods traffic: waterways, motor transport etc.

4. Foreign trade: manipulation of transit traffic, assessment of values by authorities of the Reich.

5. Coal: extension of electrical power works and many other items.

d) Furthermore, several objections may be raised against the individual indices.

The mere entry of foreign trade appears too arbitrary, for the general composition of imports and exports (raw materials, manufactured goods; transit traffic; the finishing trades; favourable or adverse balances etc.) must be considered. It is a mistake to include the years 1912/13 among the basic years, because the economic territory of those days differed entirely from that of today; one might just as well include the foreign trade of Newfoundland.

Other factors are capable of rising just because there is a falling off in prosperity. For example the consumption of beer may increase at the expense of the consumption of wine. Or the figures of the State budgets may increase owing to expenditure for unemployment relief and poor relief.

The index of prosperity as given in the London Protocol therefore appears to us not only to be theoretically incorrect, but also to be compiled in an uneconomic manner.

B) The provisional index (the so-called "Kleine Besserungsscheine") which is based on the proceeds from the controlled taxes and Customs, has the advantage of showing plus and minus results, but is nevertheless too arbitrary and capable of being manipulated.*

C) The index of gold values is only called for by the Experts: no instructions are given as to its calculation. The Experts here deviate entirely from their own principle, according to which the total liabilities of Germany are to be determined automatically without negotiations and arbitral awards.

III. <u>Remarks on the practical execution of our proposals regarding the Index</u>.

Our method of calculating the amount of capacity S_m requires four indices in addition to one exact and final calculation of the national income E_o :

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* The recent agreement concluded with the Agent General for Reparation Payments does not in any way modify this objection.

1. Index of population $I_b = \frac{B_u}{B_o}$. To be calculated on the census of population, and the statements of the marriage registry offices etc.

2. 3. The index of the price level of commodities on the world market and the index of internal German price levels (see page 35) I_p and I_d: to be calculated on the basis of the price levels in Germany and on the international market according to Professor Fisher's methods.

4. I_e, the index of the national income. This must be a composite index, made up of elements such as the following component factors *:

a) <u>Index of goods traffic</u> :

Railway freights in t/km;

Inland shipping traffic in t/km;

Carrying capacity of motor lorries in tons.

b) <u>Index of passenger traffic</u> :

Total number of passengers transported by rail, aeroplane, motor-bus, long distance trains, etc.;

Total receipts of these concerns derived from passenger traffic;

Proportion of the first and second class passengers to the total number carried by the Reichsbahn;

Proportion of the gross receipts from the first and second classes.

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* It is not our intention to make a definite proposition here: we desire merely to indicate how such an index might be drafted.

c) Index of education :

Number attending higher educational establishments;

Gross receipts of these establishments without State subsidies;

Number of students studying at the Universities;

Gross receipts of the Universities.

d) Index of income :

Assessments of income tax;

Assessments of the tax on wages.

e) Index of labour :

Proportion of workers to unemployed.

f) Index of the standard of living :

Proportion of expenditure for foodstuffs in the budget of a workman's family.

g) Index of consumption :

Consumption of meat in Germany;

Consumption of drinks: champagne, wine, beer, alcohol;

Motor cars) Differentiated according to HP, number
Motor cycles) of cylinders etc.

h) Index of cinema theatres :

Number of persons visiting the cinemas;

Gross receipts.

i) Index of production :

Index of energy :

Consumption of coal;

Consumption of kilowatt hours;

Consumption of liquid fuel - oils, petrol (gasolene).

Index of dwellings :

Number of one-family and two-family dwellings;

Surface thereof built upon.

Potash turnover within Germany.

k) Index of trade :

Proportion of fruit and all luxury fruits and spirits to the total imports of Germany.

l) Index of profits :

Dividends + directors' fees + trade union bonuses + dividends paid by limited liability companies - trade union contributions.

m) Index of capital issues :

Shares;

Debentures and bonds.

n) Index of crises :

Number of bill protests;

Number of bankruptcies;

Number of liquidations.

o) Index of volume :

Giro business of the Reichsbank;

Bills in circulation.

p) Etc., etc.

All factors of I_e expressed in prices are to be divided by an index of internal German price levels in conformity with the explanations given on page 35.

E. Conclusions.

The separate examinations assembled above have led to the conclusion that the charges on industry and the Railway are in themselves bearable, upon the assumption that all other factors are bearable and that no difficulties in regard to transfer exist, and further that the machinery for the control of the assigned revenues always ensures that the payments out of the State budget are duly made. To what extent such deductions can actually be borne by the finances of the Reich is a problem extending beyond the financial side of economics into the general problem of the capacity to pay of the German economy.

The fact that the individual parties are financially able to bear the charge does not imply that it will be economically possible for the country to raise the entire amount, and it leaves

the question open whether the total charge is not rendered unbearable by the aggregating of the individual liabilities and by all the concomitant repercussions and counter-repercussions.

Taken as a whole, the Dawes burden in all its divisions has the effect of a tax levied by the State without any compensation to the tax-payers. The German taxation system is obliged to consider the liabilities imposed upon industry by the Aufbringungsgesetz, and the fact that the net profits of the Reichsbahn are reduced by the amount of the interest on its bonds amounts to a decrease pro tanto in the receipts of the Railway budget. The Transport Tax, which existed before the Dawes Plan, also involves a loss of revenue to the Reich which will never be less than 290 millions.

On the face of it one might agree with the view of Shirras* that the total surplus of production over that minimum consumption, which with a constant standard of living (and having due consideration to the movement of population) is necessary to reproduce the amount of production required at any moment, may be retained for taxation and reparation purposes. As far back as the discussion on the Shirras report however Stamp** expressed doubts as to whether this total surplus ought permanently to be subtracted. These are certainly weighty doubts.

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* Volkseinkommen und Besteuerung (National income and taxation), Jena 1926, page 4.

** ibid, page 41 and following.

In their remarks on the index of prosperity (see page 31) the Dawes Experts themselves claimed that the reparation creditors should not receive the total increment of prosperity, as Germany must be left some incentive to further development. The attitude of the Experts to the future development of Germany is not of such a character as to justify the assumption that they desired to create the possibility of genuine expansion for Germany. It is rather to be concluded from the words of their Report that they expect Germany's capacity to pay to fall, if the total surplus is permanently and entirely deducted. It is a reasonable surmise on their part :

Although there is a certain incentive to maintain existing production at the existing level even if the total surplus of production is absorbed by taxation - because any decrease in production would lead to impoverishment of the country - it is nevertheless to be feared that the permanent curtailment of all possibility of development would tend to paralyse the desire to develop throughout the country. Such a paralysing of the economic life of the country would be revealed by a permanent withdrawal of foreign capital, the flight of German capital from investment in German industry, and the emigration of the most energetic of the entrepreneurs - a phenomenon of which there are already signs. The German workmen, who are less able to emigrate, would not submit to the combined effects of reduction in wages, increased working hours and unemployment, but would retaliate with wage demands, strikes etc.

All this shows that the amount of 2½ milliards of Reichs-

marks assessed by the Experts for the normal annuity year is only possible if German economic development is allowed to proceed on a very much more considerable scale than this amount implies.

Cassel* gives the following formula for the connection between the grade of savings 1/S), national wealth (K), national income (E) and quota of development (p) :

$$\frac{E}{S} = \frac{p}{100} \times K; \text{ therefore } p = \frac{E \times 100}{S \times K.}$$

By introducing the most unfavourable or the most favourable possible extremes into this formula, we have :

1. The most unfavourable case, when both the proportion of the national income to the national wealth, and the national wealth are taken at the lowest possible figure. We have taken 0.83 per cent as being the extreme figure for the proportion between national income and national wealth**, and 300 milliards for the national wealth (based on corrected Helfferich figures, which contain much duplication and do not take into account the depreciation of the

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* Cassel, Theoretische Sozialökonomik (Theoretic social economy), Leipzig 1923, 3rd edition, page 51.

** This is not too high a figure, because the lowest assessments of the national wealth, i.e. the Helfferich assessments, were exceptionally pessimistic, so that a very small national income would also give this rate. If a lower proportion were to be taken as a basis, a much larger value would have to be assumed for the national wealth, and this would merely increase the final result (the 2½ milliards). To assume that the national income is smaller than 25 milliards is quite out of the question.

currency); and for the grade of savings we have entered 1/10th*. This gives the following :

$$p = \frac{25 \times 100}{10 \times 300} = 0.8333 \text{ per cent of } 300 = 2\tfrac{1}{2} \text{ milliards.}$$

2. In the most favourable imaginable cases we have taken the national wealth as 500, the national income as 60 milliards and the grade of savings at 1/6; this gives :

$$p = \frac{60 \times 100}{6 \times 500} = 2 \text{ per cent of } 500 = 10 \text{ milliards.}$$

To conclude from these two hypotheses that Germany's capacity to meet her reparation liabilities was sufficient under any circumstances would be rash. On the contrary the most unfavourable case would soon involve German insolvency, as the considerations put forward at the beginning of this report cogently demonstrate. For not only would Germany's total surplus go in this case to the reparation creditors but the incentive to develop (Cassel's "progress percentage") would be greatly weakened at the very outset.

The calculations upon which the first case is based are however extremely pessimistic, so that the second hypothesis is probably nearer the truth, and the more recent character of the data in this case points in the same direction. Only the future can therefore confirm or contradict the contention that Germany is

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* We have taken the grade of savings at such a low figure because the standard of living is very low with a national income of only 25 milliards and the possibility of saving is therefore very slight. In pre-war days Cassel estimated the figure at 1/5th for Sweden; Helfferich estimated it at 1/6th for Germany. Helfferich, Deutschlands Volkswohlstand (Germany's national prosperity 1888-1913), Berlin 1913, page 121.

overburdened as a result of the Dawes Plan.

Such proof would have to be given with the help of the index of capacity which has been sketched above (pages 28 - 36). The proposed methods of applying this index (pages 30 and 31) would at the same time serve to adjust any mistake which may have been made in the Experts' estimates.

As however there is very little likelihood that our proposals for an index will ever be utilised, we are moved to suggest to the Statistical Office of the Reich that it should re-assess the national wealth*, national income*, and grade of savings*, with the help of the Cassel formula; as a result of which - should the quantity $\frac{p}{100}K$ (that is the Z_n in our Section on the index of capacity) be smaller than at least twice the amount of Germany's liability to pay in this year (2½ milliards multiplied by the index of prosperity proposed by the Dawes Committee) - it will devolve upon the German Government, arguing from the observations which we have here put forward, to demand and obtain an immediate moratorium.

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* We are perfectly well aware of the theoretical looseness of these terms and of the practical difficulties of the calculation. It is just for this reason that we would leave detailed examination of the subject to special enquiries. For us to attempt such an examination would entail an overstepping of the prescribed task.

Translation 4012 (from the German): translated CFH: checked RB.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 17, 1927.

THE BALANCE SHEET OF THE RENTENBANK

as at January 31, 1927.

(see DOC. 228)

The following is the comparison between the balance sheet of the Rentenbank as on January 31, 1927, and the balance sheet as on December 31, 1926.

	Balance sheet of January 31, 1927 (In Rent. M.)	Difference as compared with that of December 31, 1926. (In Rent. M.)
ASSETS		
Charge upon German agriculture	2 000 000 000.00	-
Rentenbriefe as on Dec.31 1926 Rent.M. 1 699 844 000 Jan.31 1927 " " 1 699 844 000		
Loans to the Reich	925 694 386.86	- 20 592 199.19
Outstanding credits	293 444 861.00	-
Other debtors	8 109 853.87	+ 8 109 853.87
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	69 179 801.38	- 1 091 113.13
Real property of the Bank	325 000.00	-
Office furniture and supplies	88 900.49	+ 1 918.30
Miscellaneous assets	3 330 292.38	- 32 522.60
LIABILITIES		
Capital	2 000 000 000.00	-
Rentenbank notes in circulation	1 151 189 285.00	- 20 592 199.00
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000.00	-
Credit of the Rentenbank Credit Institution	5 923 618.88	+ 5 923 618.88
Carried forward	36 160 115.60	-
Reserves	6 134 025.65	-
Miscellaneous liabilities	1 487.50	- 23 244.00

In January 1927, 5 592 199.19 Rentenmarks, representing payments by the owners of the mortgaged land, were paid into the sinking fund at the Reichsbank in virtue of §7a of the Law concerning the Redemption of Rentenbank Notes. In addition 15 000 000 Rentenmarks, representing the quarterly instalment due on January 1, 1927, were paid into the sinking fund in virtue of § 7b (quarterly payments by the Reich). The items "Loans to the Reich" and "Rentenbank Notes in circulation" are reduced by an amount equivalent to the sum total of the above payments.

Since the coming into force of the Law concerning the Redemption of the Rentenbank Notes (October 11 1924) the following sums have been paid into the sinking fund:

	139 305 613.14	Rentenmarks in virtue of § 7a of the Law
	135 000 000.00	" " " " § 7b " " "
	67 793 963.46	" " " " § 7c " " "
	586 889 722.00	" " " " § 11 " " "
Total ...	928 989 298.60	Rentenmarks.

Translation 4120 (from the French): translated UP: checked BWS. CG.

I.I. 9.343 DOC. 235

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 9, 1927.

FINANCES OF THE REICH.

PUBLIC DEBT AS AT DECEMBER 31, 1926.

(See DOC. 226)

I. The total figures of the public debt (not including the revalorised paper mark debt) were as follows as at December 31 1926, according to the Wirtschaft und Statistik No. 2,1927. The details in regard to the figures are given in the Annex.

As at November 30 1926	2 200.2	million RM
As at December 31 1926	2 196.8	" "
Reduction during December	3.4	" "

II. Variations in the different items.

The changes in the various items are inconsiderable.

The debt to the Rentenbank has fallen 3.1 million RM, being the amount of the interest paid by the owners of the mortgaged land and devoted to the sinking fund.

The K bonds show a reduction of 0.1 million RM.

The value in RM of the German External Loan 1924 has fallen by 0.2 million RM. The effect of the regular payments to sinking fund has been counteracted by the rise in the lira.

The other items are unchanged.

D E B T of the R E I C H
(in Millions of RM)

		30 November 1926	31 December 1926
I.	TREASURY BONDS		
	Paper marks	0.0	0.0
	6 % redeemable in 1935	18.9	18.9
	6 % redeemable in 1932	1.2	1.2
	"K" Bonds	0.8	0.7
	Together :	20.9	20.8
II.	LOANS FROM THE BANKS		
	Rentenbank	881.6	878.5
	Reichsbank	217.4	217.4
	Together :	1 099.0	1 095.9
III.	EXTERNAL LOAN		
	110 million Dollars	423.3	422.7
	21.68 " Pounds sterling	427.9	427.4
	25.2 " Swedish crowns	27.4	27.4
	100 " Lire	17.3	18.2
	15 " Swiss francs	11.8	11.8
	Together :	907.7	907.5
IV.	MISCELLANEOUS		
	Obligations to pay	9.7	9.7
	Guarantees	50.9	50.9
	Loan to agriculture	12.0	12.0
	Loan from the Post Office	100.0	100.0
	Together :	172.6	172.6
	GRAND TOTAL :	2 200.2	2 196.8

(signed) M.H.

Translation 4094

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 22, 1927.

FINANCES OF THE REICH

SPEECH BY THE FINANCE MINISTER OF THE REICH ON THE BUDGET FOR 1927 AND THE FINANCIAL POSITION, MADE IN THE REICHSTAG, FEBRUARY 16 1927.

(The following is a translation of the full text from Official Reichstag Proceedings)

The budget estimates of the Reich for the fiscal year 1927, concerning which I have the honour to address you, were submitted to you some time ago and have even been examined by you already. The estimates were not made by the present Reich Government and by me, but by its and my predecessor. In view of the lack of the necessary time, amendments to the budget were out of the question.

If, with this limitation, I take the liberty of making certain remarks on the budget at the present moment, I do so because I wish to explain to the public, at the earliest opportunity, the condition of the finances of the Reich and the questions connected therewith.

The ordinary budget for the fiscal year 1926, which comes to an end on March 31, 1927, will according to present indications, not close with a deficit. On the basis of the

present state of receipts and expenditures, it can be assumed with a certain degree of safety that there will be a comparatively small surplus. Only approximately 450 million Marks, which represent the proceeds of the Reich loan, and a credit from the Postal Administration of 100 million Marks, or a total of 550 million Marks, are at present at the disposal of the Reich for meeting the extraordinary budget. A decision will have to be made at the necessary time on how the remainder of the extraordinary budget shall be covered. In this connection, it must, however, be remembered that during the next few months it will not be possible for the Reich again to approach the loan market. The Reich Treasury has been able to meet the expenditures arising out of the extraordinary budget which have become due thus far only because, aside from the surpluses of former years, the credit from the Postal Administration and the utilisation of liquid administrative funds, it has up to now not been necessary to make payment for all the items contained in the extraordinary budget.

During the past few months several reports have been made to you on the effects of the 1926 action to reduce taxes. It is not necessary for me to explain that this action, in connection with the effects of the taxation legislation of 1925, has stimulated economic life. I should merely like to point

out that the receipts from the turnover tax, which, before the tax mitigation law, were estimated at a total of 1¼ milliards for the fiscal year 1926, and which in consequence of the reduction were estimated at 974 million Marks, have not come up to the budgetary estimates. During the first nine months the turnover tax yielded 640 million Marks. It must be remembered, however, that during the first month the former higher rate of 1% existed. According to the figures before me, the months January to March will yield an additional sum of approximately 200 million Marks, or a total of 840 million Marks for the whole fiscal year. This total is therefore about 130 million Marks below the budget estimates. The argument, which has often been used, that a reduction of taxes will be followed by higher tax yields has not proved true in the case of the turnover tax, which is a reliable barometer of the state of business. Nor has there been a reduction in prices to the extent expected. The amount by which the turnover tax was reduced was lost on the way from producer to consumer.

It is difficult to determine the exact loss resulting from the reduction of the tax rate for real and personal property (Vermögensteuer) on small holdings. I should only like to say that the receipts during the first ten months totalled but 232 millions, as compared with the estimated 400 million Marks for the whole of 1926. I hardly think that the budgetary estimate will be reached.

The receipts from the tax on Bourse transactions were estimated at 50 millions for 1926. During the first ten months they have already totalled 60 millions; in this case the estimate will be exceeded not inconsiderably. But it cannot be asserted that the increased returns are due to the reduction of the tax.

So much for the fiscal year 1926! We shall take leave of a budget which, as a result of the reserves on hand from previous years, and in view of the fact that the reparation payments did not show their full effects, had a favourable influence on national economic life.

The budget for 1927, on the other hand, is confronted with different conditions. Former surpluses have been used up. Estimates have, in part, been made very closely. We have deliberately abandoned the practice of former years of calculating certain expenditures more liberally than actually necessary and of then using the resulting surplus to cover parts of the supplementary budget. In the estimates of receipts, very great consideration has already been taken of the assumed further improvement of our economic condition. No provision has at all been made for various expenditures which will surely become necessary. The increasing reparation burdens are colossal, and they adversely influence the whole internal budget. This is a rough picture of the budget before us.

The total burdens of the Reich amount to 7,990 million

Marks, that is, approximately 8 milliards, in the ordinary budget and 536 millions in the extraordinary budget, as compared with 7,600 millions in the ordinary budget and 840 millions in the extraordinary budget of the year 1926.

In comparison with 1926, the budget before us will be influenced unfavourably through the increase, by almost 400 millions, of the reparation debt proper, through the absence of surpluses of 400 millions from previous years, and through a 100 million Mark smaller yield from the minting of coins. This additional burden of 900 millions will, on the other hand, be compensated by a reduction of 135 millions of the internal war burdens, by a 220 million Mark reduction in the expenditures for the general administration of the Reich, and by increased receipts of 545 millions. Of these 545 millions, 15 millions will be derived from administrative receipts and 530 millions from additional receipts for the Reich from taxes, customs and levies.

I consider it my duty to declare that it only seems to me that the ordinary budget will balance. I approve the economic optimism on which the receipts are estimated. But, as I have already stated, larger expenditures which are not provided in the budget, and for which I to-day see no covering possibilities, are lurking in the background. Thus, for example, there is no provision for supporting unemployment relief after April 1, 1927, probably in the assumption that the Unemployment Insurance Law, which is at present being

discussed by the Reichstag, will not make it necessary to raise further sums. Of the 200 million Marks contained in the budget of the Reich Ministry of Labour for the support of unemployment relief, 50 millions are to form the basis of the contemplated insurance, 50 millions are to be used during the period of transition and 100 millions are to be used for financing emergency relief. Since the Law provides that under certain conditions the Reich must help by granting non-interest-bearing loans, there ought at least to be a corresponding sum in the budget from which the interest on these loans could be paid. If, however, the Law does not go into effect on April 1, 1927, as is highly probable, the Reich will have to continue to support unemployment relief and, in accordance with the promise of my predecessor, to assume the share of unemployment relief which has hitherto been borne by the States and communes - a sum which would amount to 40 million Marks monthly. The budget, however, does not contain any funds for this. Furthermore, the matter of increasing the rent of dwellings in the Reich is being discussed. Such an increase would naturally have to be followed by a corresponding increase in wages and salaries. The budget contains no provision for such an increase for the personnel of the Reich Administration.

A question which will therefore most certainly demand our attention in the current year is the general increase in the salaries of officials, which has repeatedly been announced, and the increase in the allowances to those injured in the war.

Though I do not want to discuss this problem at length at the present moment, I must point out that, aside from the clear insufficiency of the present settlement, promises have been made to the officials by various authorities which the Government and the Reichstag must keep at the proper time and, naturally, to the extent of what is financially possible, especially since the improvement of salaries and wages - the last settlement was made in November 1924 - appears to me to be a State necessity. The practice which has hitherto been pursued of making non-recurring allowances must unconditionally be abandoned, for large sums are expended without rendering thereby effective and permanent aid. But the budget of 1927 does not contain any sums for the improvement of the salaries of our officials. The condition of our small rentiers in various parts of the Reich appears to me to be such that it is absolutely necessary for the Reich to help them in some way. From all these things you will see that the repeated statements of my predecessor on the difficulties of the year 1927 are absolutely correct.

During the past few days an expert pointed out that a reserve of 300 million Marks was contained in the income tax and the corporation tax. To this I must answer that, judging from the receipts of the past few months, the hopes for a higher return from the income tax and the corporation tax are, it is true, justified to an extent. But the expert in question knows very well that only one-fourth of this sum, which has been estimated too highly, is at the disposal of the Reich, and that the larger portion thereof must be transferred to the States

and communes on the basis of the Financial Settlement. Therefore, this sum will by no means be sufficient to meet increases in the salaries of officials.

The economic condition for the difficult year 1927 causes us grave anxiety. It is true that the crisis which began in the year 1925 reached its highest point in the first part of 1926, and that conditions then improved. The English coal strike was of great significance for this transition from critical to better economic conditions. The inflow of capital from abroad also stimulated our economic life. The possibility, even though it is still limited, of floating loans within Germany and the reduction of the interest rate are indications of the improvement. But our own formation of capital by no means suffices as yet for covering our capital requirements, especially when one considers the continued necessity of developing our productive apparatus and the continually increasing reparation payments.

Thus far in 1927, the improvement which began in 1926 has, for the most part, been able to assert itself under the influence of easy money. But it must not be overlooked that the effects caused by the English coal strike are again gradually giving way to normal conditions. It must further not be overlooked that a heavy burden is still resting on agriculture, which had a comparatively poor harvest in 1926; this has served as a check on domestic purchasing power. And it must not be forgotten that the number of unemployed is still very high - in

fact, dangerously high. On February 1, 1927, there were 1,825,000 people who received the full unemployment relief. This number is only about 200,000 less than in the previous year. The situation ought to be judged very cautiously even if it is thought by some that unemployment statistics contain mistakes, which it is the duty of the Administration to correct. Therefore, we ought not to conclude from the improvement of the economic situation in 1926 that the curve will continually go upward. The fact that similar abnormal occurrences like the English coal strike and the great inflow of foreign capital have been the impulse to improved economic conditions warrants reserved judgment. An economic system in which there are 1¾ million unemployed is still far from being sound. Even though various industries again have adequate orders and make good profits, the whole situation still appears very difficult to me, especially as regards those enterprises situated on the periphery of the Reich, which to a great extent still have a hard battle to fight. Interest must be paid on foreign capital, and this capital must some time be repaid. But the rapidly increasing reparation payments represent a drain on our strength which will not be without effect on our economic system.

This situation, which is full of dangers, demands first of all very careful manipulation of our tax sources and a financial and tax policy based not on fiscal, but national economic and social considerations. The Reich Government is

determined to make this idea the basis of its policy. It knows that the economic system, which includes employers and employees, must become sound in order to be able to bear burdens The Reich Government refuses to impose new burdens on an economic system in process of recuperation; it will do what it can to reduce the existing burdens. It is therefore by no means the intention of the Reich Government to burden the coming very difficult years with a "hoarding policy" of any kind, which is an unbearable drain on the tax strength of the economic system. The economic system will not suffer because the present Government is in office. This is all the more so since the majority of the former Government are in the present Government.

The principle of our tax policy will be that the reform legislation of 1925 gave to this policy its definite form in legal and technical respects, and this form must be the basis of our further endeavours. It is urgently necessary that there should be a period of consolidation after the continual changes in our tax laws following the war and especially during inflation. Any important changes in this policy would jeopardise the execution of our tax laws and cause new unrest in our economic life. What we must do is to simplify legislation and the administrative procedure which will enable the average taxpayer to fill out his tax declaration correctly without the aid of tax advisers.

Of course, the amount of the taxes and the tax rates are another question. In this respect it is my standpoint that, in the interest of our national economic system, we must do everything to avoid new tax burdens, and we must arrange to get along with what we have even if we have to postpone and reduce expenditures for things which are desirable and useful. Moreover, it must be our definite object to continue to reduce taxes wherever this is compatible with our budgetary condition, for tax reductions are absolutely necessary. Naturally, I do not for a moment think that it will be easy to make big reductions in the near future, especially in view of the continually increasing reparation burdens. But if a way should be found - and the Government will lead in seeking such a way -, it appears most advisable to me to begin with those taxes which are imposed on the most important articles of consumption. I am thinking primarily of a reduction of the tax on sugar - a wish which has already been expressed on other occasions. But if reductions are made, the direct taxes must not be forgotten. Of these taxes, the most oppressive are, without question, the tax on real property.

It goes without saying that these wishes and suggestions cannot be regarded separately but only in so far as the losses incurred by their fulfilment are covered in other directions. If covering is found, I am prepared to make reductions even within the budget year.

Measures to simplify the administration of tax laws are urgently necessary and cannot be postponed. Such measures will benefit, first of all, the economic system, which will be freed from unnecessary annoyances. But they are also urgently necessary out of consideration of the Tax Administration itself. As regards the work which had to be accomplished, 1926 was a very difficult year for the tax authorities; a number of new tax laws and tax rates had to be put into force. The tax authorities deserve great praise for having done all they could to master the colossal task, which, however, caused over-exertion of the officials and consequently inaccuracy in some respects. Our revenue officials are overburdened to such an extent that the expeditious remedying of this condition is in the interests of the officials themselves and of the duties which they must carry out. I have therefore decided to introduce at once several simplifying measures, some of which shall be enforced as administrative ordinances.

The chief task is the orderly, exact and uniform administration of the income, corporation and turnover taxes. There will not be time enough to perform this chief task, however, if the task of fixing the uniform values (Einheitswerte), which is entirely separate and difficult work in the first years, must be carried out currently at the same time. I therefore intend, as is expressly permitted by the Assessment Law, to let the first assessment which has been made

remain valid for an additional year, especially as regards agricultural undertakings and real property, and to have a new assessment made only in 1928. At that time we shall also have greater prospect of more normal conditions as a basis upon which more exact assessments can be made than could be expected if they were made as of December 31, 1926. A bill to this effect will shortly be submitted to the Reichsrat and the competent committee of the Reichstag. Just this measure will, in my opinion, bring perceptible order into the conditions of our revenue offices.

At the same time it seems important to me to reduce somewhat the number of payment dates, which is still very large. As regards the income and corporation taxes, we already have the normal quarterly payment dates. The turnover tax, however, is still being paid monthly. It will facilitate the work of the revenue offices as well as of the officials whose duty it is to examine the monthly preliminary reports, and at the same time accommodate the economic system, if we also demand only quarterly preliminary reports and payments of the turnover tax.

As regards the wage tax, it also seems better to me to demand two payments each month instead of three payments. With regard to this tax, however, caution must be observed since the employers, when they pay their labourers, employees and officials, deduct the tax and naturally have no right to let the sums due the Reich work for them any longer. In

addition other measures are being considered which should facilitate the work of the revenue offices. An ordinance on this matter will be issued in a very few days.

I am doubtful whether all these measures will suffice to place our tax authorities in a position to get through the year 1927, to catch up with their work, to collect the ever increasing amounts which were due some time ago and to carry out punctually the tasks which they must fulfil towards the States. In the near future, however, I shall devote special attention to this part of my duties and, by intervening immediately, do everything necessary to put the revenue offices in order and to guarantee just asesssments. But at the present moment I cannot assume entire responsibility for just and uniform assessments, in spite of the fact that the possibility of just assessments is more important and yields higher returns than many a new tax law.

In order to make just assessments, it is necessary to maintain and thoroughly to train the service for the inspection of business accounts and practices. I am opposed to transferring this business to trust companies (Treuhandgesellschaften). Just this part of our work must remain firmly in the hands of the Administration. I know that there are misgivings here and there against the system of examining books and plants. Nor do I want to contest that in the execution of their duties some officials might have betaken themselves improperly. I shall, however, see that justice

is done in all cases brought to my attention. It is not intended that our economic system should be watched and spied upon when its books are examined. We must reach the stage where the examiner is not regarded as an enemy but as an expert adviser and assistant to those who are honest about their tax obligations.

The officials of my Administration worked hard and gladly during 1926. Bit it is now time to consider their distress, for they are no longer in a position to do more work. In the Committee I shall make statements and suggestions, as I think that new blood is necessary among the officials. Competent assessment officials, who form the backbone of our tax work, are not born; they need a thorough technical education. We must therefore appoint new candidates for such work. Much as I am opposed to increasing the number of officials, I cannot help but feel that officials must be appointed to do well that work which yields most to the Treasury of the Reich.

My officials know that they must fulfil a task from which they will never reap popularity. They realise, too, that people, in their despondency and oppressed by their great burden, sometimes lose their self-control and give vent to their feelings in a manner not permissible. But I must defend my officials against the insults and suspicions which have at times been expressed concerning them.

I shall now discuss the budget for 1927 in some detail. Without a doubt it is true that this budget, taken as a whole,

and in spite of all eliminations and limitations, is still very high and does not correspond to our real economic condition. And this budget does not even represent the full burden which is placed upon our national economic system by the public administration. According to figures which I compiled a few days ago, the total of taxes, customs and other levies - inclusive of the burden on industry and the Rentenbank - to be paid by the German people in 1927 amounts for the Reich to 7.8 milliards, for the States to 1.2 milliards, and for the Communes to 2 milliards. The enormous total of 11 milliards results. This is a sum which not only causes the greatest anxiety, but which must make us determined, in the interest of those subject to taxation, to reduce it greatly, regardless of all criticism. We shall carefully have to examine whether it is not possible, after all, to eliminate entirely or at least to reduce in part the expenditures contained in the budget. In abstaining from publicly making individual proposals, I do not mean to give the impression that I could not do so. I shall return to this matter. No figures in a budget of this size are sacred and unimpeachable, and too many funds and powers to transfer sums are not exactly indications of special thrift. Our burdens are so great that we must take advantage of every opportunity to save, and carefully examine so-called compulsory increase of expenditures.

The development of the extraordinary budget and, thus, of the loan policy of the Reich deserves special attention. In

1911, 97.5 million Marks of expenditures were covered by loans; in 1912, 43 millions, in 1913, 39 millions; in 1914, 17 millions. Of course, expenditures for the Army and Navy were covered by a special tax. At the outbreak of the war the total bonded debt of the Reich amounted to nearly 5 milliards. The budget for 1926, on the other hand, provided for a loan of 840 millions, and the budget for 1927 provides for a loan of 528 million Marks. I realise the special conditions which led to the huge loans of 1926 and 1927. These funds serve primarily to stimulate the economic system and to provide work. But naturally it goes without saying that we must carefully watch the growth of this bonded debt and take care that it does not reach a stage beyond our control. The German nation and the German economic system are likewise burdened with the interest on these sums which must be paid back.

It is known to you that the success of the programme to provide work is contested. In view of the colossal total of the xtraordinary budget, we must minutely examine whether the method proposed is the only one to employ the largest number of those without work. In this connection it would be advisable to investigate the economic aspect of the projected construction of canals and to express an attitude on the discussions which are being conducted publicly on the feasibility and extent of the contemplated waterways in view of the great progress we have made in technical matters. I must say that the proposal to float loans must be limited to the

credit standing of the Reich. This fact deserves especial attention. Undue consideration of this problem would only be to our detriment.

The war and reparation burdens are a further huge item in our budget; they total approximately 2 milliards for 1927, and include internal war burdens, reparations payments as provided in the budget, interest on the railway bonds and interest on the industrial debentures. If there is added to this sum the amount of approximately 1.3 milliards for allowances to persons injured in the war, the total which the German people must raise in the current year for war and reparation payments is 3.3 milliards. Even though the internal war burdens decrease from year to year - as compared with the previous year, they are 135 millions less - , the sum for actual reparation payments has increased by 350 millions; the sum for the railway bonds by 33 millions; and the sum for industrial debentures by 90 million Marks. The extraordinary increase in reparation payments is due to the fact that in the coming fiscal year seven-twelfths of the budgetary obligations of the fourth reparation year, which, as is known, amount to 500 million Marks, must be met. Furthermore, 192 million Marks are due during the months April to August 1927, for the purpose of meeting the obligations arising from the liquidation of the supplementary lump-sum contribution. Though I welcome this agreement, especially because it brought about a reduction of the obligations

arising out of the provisions of the London Agreement, an increase of the possibility to make deliveries in kind during the current reparation year, and a certain liquidity of the Reich Treasury through the automatic release of the controlled revenues. I cannot look into the future without grave anxiety. Under the Dawes agreement, our payments out of the budget, out of the interest service on the railway bonds and for the service of the industrial debentures will increase next year 432 million Marks, and in 1929 a further 290 million Marks. At the present moment, in spite of the best will, I see no possibility of paying these sums, to which there will be added, beginning in 1929, supplemental payments on the basis of the index of prosperity. I am pleased to note the conclusion of the Agent General for Reparation Payments contained in his report of November 1926, to the effect that in the field of reparation payments, Germany has loyally and promptly fulfilled all her obligations in the second year just as in the first. I also share his opinion that after the expiration of the last two reparation years, a turning point was reached not only in the rehabilitation of Germany, but also, in the broader sense, in the rehabilitation of Europe. The Agent General for Reparation Payments points out that stabilisation has not yet become a fact all over Europe, and that until this is the case, it cannot be expected that world trade will develop along normal lines. I must add that the development of Germany's capacity to

pay demands, to a great extent, on the restoration of normal trade relations. Germany will continue to do everything in her power in order loyally to fulfil the obligations she has assumed, but to this end she must be furnished with the necessary pre-requisites. The Dawes agreement was welcomed by us because it represented an attempt to remove the reparation problem from the field of unilateral political decisions and to take it into the sphere of peaceful economic agreements. For us the pre-requisite for the execution of the Dawes agreement is the strengthening of our economic life, for a national economy which must struggle hard for its existence is not in a position to raise milliards for reparation payments.

In adverting to individual items of the budget, I should like to say something, first of all, as regards the personnel policy of the Reich. Concerning the official positions for which the budget estimates make provision, we pursued the principle also in the budget of 1927 of requesting new positions only if vital reasons of organisation made this necessary. Only few additions have therefore been made, especially only where they were required in consequence of more work. Besides, official reasons made it necessary to give budgetary positions to certain employees who have to fulfil certain permanent tasks of Reich administration.

As compared with the increase in positions, a much larger number of other positions have been eliminated so

that against 1926 the body of administrative officials included in the budget will be reduced by approximately 300. In addition, the number of permanent clerical employees will be 1,670 less, primarily at the expense of the Reich Finance Ministry and the offices associated with it; and the number of non-permanent clerks will be 2,270 less. This latter reduction will take place primarily at the expense of the Ministry of Foreign Affairs and in view of the fact that the work in connection with the loan liquidation is practically ended in the Reich Finance Ministry. The reduction in the number of officials would be considerably greater if 375 revenue officials had not been dismissed as a result of the supplementary budget for 1926, - officials who are absolutely necessary to continue the business of administration and who therefore had to be re-installed The reductions on the basis of the 1927 budget will take place chiefly in the Reich Finance Ministry. Of the 935 existing offices which will be abolished from the Reich Administration, 765 will be eliminated from the Reich Finance Ministry.

But I feel that the total number of employee reductions which have thus far been made in the budget of the Reich is not sufficient. On the contrary, I believe that the budget law must provide that the positions which will become vacant shall not be filled again. I therefore attach great importance to the provision

contained in Section 6 of the Budget Draft Law that, except in certain cases, only every second office becoming vacant may be filled. Without such a provision the necessary reduction of employees could not be carried out, and, after all, it is just here where we have the greatest possibilities to save.

To me the provision in the budget law empowering the Reich Finance Ministry to make guarantees seems very important. It has been amended considerably in comparison with the previous year. The provision in its present form corresponds to the result of the deliberations which were conducted in the Sub-Committee for Subsidies on the question of Reich credits and guarantees, which was approved by the Budget Committee. The decisions of the Budget Committee were prompted by three considerations: by the demand to limit as much as possible the policy of subsidies; by the demand that, as a rule, guarantees should be granted by law, i.e., in the plenary session of the Reichstag; and, finally, by the demand that when guarantees are made or credits are extended by the Reich, sufficient security must be given. It would be bad economic policy to subsidize distressed enterprises at the expense of enterprises which are economically sound. If, in certain exceptional cases, this policy was not adhered to in the past by the Reich Government, there may have been very special reasons for this action. I, for my part, am of the opinion, - and judging from their

statements, German business men agree with me - that the Reich Treasury should not participate indiscriminately in private enterprises. It is inadmissible for the State to become the banker of private industrial enterprises. I cannot share the view-point of those people who publicly speak in favour of the abolition of the policy of granting subsidies but privately advocate the extension of subsidies in individual cases. We must practise what we preach.

I shall only touch upon the budgets of the various ministries and administrations since some of them have already been discussed in the Committee.

In the budget of the Ministry for Foreign Affairs, the further reduction of compulsory visas and visa fees this year will lead to a reduction of the receipts. In spite of this reduction I hope that the development will continue in future years and that, thus, one obstacle to international intercourse will be eliminated. The expansion of the consular service is in accordance with a fixed plan and will be continued on the basis of the progressive expansion of our trade relations. Ten new consulates will be established.

As regards the budget of the Reich Ministry of the Interior, the necessity of not neglecting intellectual matters in times of material distress has been recognised. Therefore, the budget provides, in addition to the item

for educational purposes, a new non-recurrent item of 3 million Marks for particular educational tasks to be expended for research work in the field of national economy, national health and national welfare. Just as in the previous years, an item is also contained for the conservation of buildings of especial historical significance. Structures like the cathedrals in Cologne, Mayence, Ulm and Freiburg, and like the Wartburg are the common property of the whole German nation. Collaboration by the Reich in the preservation of this precious property may be regarded as a distinct privilege. In view of the promises made while the supplementary budget for 1926 was being discussed, an item is contained for the border regions which are especially oppressed economically and culturally. The sum in last year's budget was put at the disposal of the eastern border regions of Prussia; this year the remaining border regions will be considered. To my regret it has not been possible to enter a sum larger than 15 millions. I could not approve the decision of the Reichsrat to increase this sum to 30 millions because I did not agree with the Reichsrat on how this additional sum could be covered.

The occupied area, which during the past six long difficult years has borne the burden of the occupation in a spirit of sacrifice and patience, for which it is impossible for us to show enough gratitude and understanding,

has a claim to special relief. Therefore, this year's budget for the occupied areas contains an item of 3 millions for educational relief. I realize that the sums which the budget provides for the occupied areas are negligible in comparison with the mental and economic sufferings the population has undergone. May an early end be put to this misery, and may the hour of liberation soon strike!

In the budget of the Reich Ministry of Labor, the amount of the Reich's contributions to the allowances on old age and disability insurance (Invalidenversicherung) is now almost 200 million Marks as a consequence of the increase to seven millions of the number of invalids, widows and orphans receiving allowances. A careful examination is necessary to determine whether this sum is sufficient to meet the increased demands. Considerable sums will be necessary in the coming year to combat unemployment. Just as last year, the extraordinary budget contains an item of 130 millions to provide work for the unemployed; 15 millions for the so-called dwelling relief fund for those Reich officials and persons injured in the war, who are without living quarters; and 50 millions for agricultural colonization work in the sparsely populated areas. Since the funds provided in the budget of 1926 for this purpose will not be used up by the end of the current budget year, the item in the ordinary budget for productive unemployment relief work could be lessened by one-half.

As regards the budget of the Reich Defence Ministry, the total of the ordinary budgets for the Army and Navy together is 16.5 millions more than in the previous year. In order to harmonise the necessary military requirements with the imperative economy, several branches of the Army had the amount of their expenditure items reduced. It goes without saying that the total expenditures are within the limits set by the Treaty of Versailles. Unfortunately, the Finance Ministry finds that the conversion of the conscription army into a professional army, as well as the other limitations imposed upon us in this field by the Treaty of Versailles, necessitate disproportionately high expenditures, since less can be bought to-day, for the funds to be expended in this direction, than before the war.

As regards the Reich Ministry for Transportation, the increased construction of waterways, which is being carried on in connection with the program to provide work, is being continued. Therefore the sums which were requested in the supplementary budget for 1926, but which were not allowed by this House, are again being requested.

In the budget of the Reich Debt Administration, the item for redeeming the drawing rights of the loan liquidation debt is 135.6 million Marks more than in the previous year, since, according to the latest estimates, a total of 900 millions of drawing rights will be redeemed, - a sum which corresponds to 36 milliards of old owners' loans. I confidently hope that the work for the redemption of the old Reich loans will be completed by the middle of the year. Up to now, decisions have been made on four-fifths of the petitions for allowances, which were submitted by the old

owners and by those desiring preferential treatment (Altbesitz- und Vorzugsrentenanträge). The second part of the first drawing of the drawing rights will be carried out in the course of the year. The redemption of new owners' loans will begin in the near future. These new owners' loans will be converted into the loan liquidation debt in accordance with the provisions of the Liquidation Law.

Complete quiet does not yet prevail in the revalorisation question. I cannot go into the details of the revalorisation problem now - the Government will have an opportunity to do so when the motion of Dr Best is discussed in the Juridical Committee - but I must say that every discussion of this problem must be conducted on the basis of the principle that the structure of the present settlement cannot be amended.

If the so-called drawing-right certificates issued on the basis of the loan liquidation were converted into an interest-bearing loan, that is, if the money provided for the drawing were utilised in its entirety or to a very great extent for interest payable at once, an interest-bearing loan of several milliards would be necessary, and such a loan would exert a great pressure on the finances of the Reich for an incalculable time and place obstacles in the way of further loan flotations. Even though the Reich could in this way save some money at present - a 5 per cent interest rate would signify an additional annual burden - I cannot arrive at a different conclusion, since these probable economies would - without considerable advantages in the long run for the holders of small amounts of drawing right certificates - have to be bought very dearly by the Reich and would worsen its

position anew. And I have not even mentioned the great dangers which such a settlement would cause to the States and communes and to the loan liquidation plan as a whole. In this matter I agree entirely with the directorate of the Reichsbank, which has raised serious objections against a conversion of the drawing-right certificates into an interest-bearing loan.

The Budget of the general financial administration contains a sum of 190 million Marks, as compared with 210 millions in the previous year, as a contribution of the Reich to the police costs of the States for 1927. This figure, however, is only provisional, since we have not yet received the necessary statistics for making exact calculations.

The non-recurrent expenditures contain a reserve fund of 15 millions to cover deficiencies which the Reich might have to bear because it assumed guarantees in a number of cases. Since a large portion of the credits for which the Reich assumed a guarantee, some of which are very considerable, will become due in 1927, - I shall mention only the fertiliser credits amounting to 30 millions, the credit to wine-growers, and the credit to the flax and linen industry - I could not agree to the 50 per cent reduction which the Reichsrat decided upon.

In the extraordinary budget of the general financial administration there is a fund of 30 millions for the continuation of railway construction work already begun.

In accordance with the draft of the Spirits Monopoly Law, which is before you, a sum of 25 million Marks is provided to serve as an operating fund for the Reich Monopoly Administration.

The budget contains an item of 60 millions to indemnify

those who suffered losses through liquidation. This sum will be drawn on for the benefit of those who should receive indemnification for material losses, those who desire loans to establish new existences, and those who are in bitter need as a result of liquidation. The German Government is confronted with a very difficult question, which is one of life and death for a part of our people, and we must decide what can be done in order to mitigate the damages which former hostile governments caused Germans by liquidating German property and enforcing similar measures. Germany's efforts to save what remains of German property and to obtain its release are sufficiently well known. Just as well known is the procrastinating attitude of the rest of the world toward our efforts. In so far as this property must be regarded as definitively lost, the German Government can do nothing other than to make indemnity to the best of its ability.

The difficulties of our State economy and the necessity to run our household with a very small fund forces us to take an attitude of reserve. Milliards would be necessary if full indemnification were made. We believed that the overwhelming part of this burden ought to be met in some form from the annuities of the London Pact. The Arbitral Tribunal at The Hague did not share the German view. All the reasons which we advanced and which we thought just were rejected with the statement that the text of the London Pact and of the Experts' Plan did not provide for and therefore did not permit the inclusion of indemnifications. Nevertheless the judgment added that the question had not been decided whether sums which had been credited to Germany after September 1, 1924, for the value of liquidated property or

which would be credited to her in the future are to be deducted from the annuities under the London Pact. The German Government is at present examining the possibilities in this direction. It will again and again point out the unbearableness of a condition which unexpectedly would impose upon Germany large war burdens in addition to those arising out of the London Pact. Germany's representative at The Hague Tribunal declared that she lacked the means for indemnifying those who suffered losses through liquidation. This is especially true in view of the condition of the budget which I described to you.

The question arises how we can furnish succour at least to those who suffered losses and are in dire straits. The Reich Government has as yet made no definite decision on this point. But it will speedily examine all possibilities and submit a proposal to you.

In leaving the budget, I should like to remark on the amendments which the Reichsrat made. The higher estimations of the Reichsrat have caused the Reich Government to raise the question whether, according to Constitutional Law, this is at all the proper procedure for the Reichsrat. It is true that the budget is a law, so far as its form is concerned, but, in content, it is an administrative act. This is in any case true so far as estimates of receipts are concerned. The Reich Finance Minister - and he alone - may, on the basis of the material before him and of the experiences of the Finance Ministry, determine what possibilities of income can be counted upon. The ascertaining of these possibilities is the act of his responsible administration which, according to parliamentary

procedure, he must represent before this House.

But I am not concerned chiefly about the legal aspect of this question. At bottom it is a question of State policy of the first order. An impossible condition is created for the responsible head of the Reich finances if the Reichsrat increases the expenditures and believes that these desired expenditures can, contrary to the view of the Reich Government, be covered by higher estimates of receipts. How little this corresponds to the procedure in a parliamentary State is shown by the practice of the English Parliament which does not permit, in principle, increases in receipts without the approval of the Government. I do not dare to believe that the German Reich will some day enforce a similar provision.

I should like to conclude my remarks with a reference to the question of the distribution of taxes, i.e., of the Financial Settlement, which is one of the most important questions in the field of domestic policy requiring solution. In this matter I stand by the Weimar Constitution. The Reich stands above the States, but their individual lives are guaranteed by rigid provisions. And I believe in the unity and solidarity of the Reich. I shall never lend a hand to efforts which would be detrimental to this fundamental principle even as regards the daily tasks of the Financial Administration. I also consider necessary the Reich financial administration as it was created in its principles by Erzberger and continued by his successors. Not only because it furnishes a firm clamp for the unity of the Reich, not only because primarily it deserves the credit for the stabilisation of our currency, but also because I consider the Reich

financial administration to be in the interest of the Reich and of our whole public and private economic system. Under the protective roof of the Reich financial administration, those States which are capable of individual life should live their own lives.

I consider the Financial Settlement a national economic matter which naturally influences questions of State policy. The Reich Government, the Reichsrat and the Reichstag have for years been endeavoring to find a definitive solution of the question of a financial settlement. It has always been recognised that a satisfactory agreement on the financial settlement could be reached only if decisions can be made on the basis of actual facts and when complete clarity can be established on the basis of statistics concerning the receipts and expenditures not only of the Reich, but also of the States and communes. A just distribution of tax receipts pre-supposes knowledge of genuine tax requirements and also insight into all possibilities of economy. A financial agreement in its definitive form can be found only for a rationalised system of public administration. Since we have not yet received these necessary and valuable statistics, it is impossible at present to make definitive proposals for a financial settlement.

Besides the additional transfers to States and communes there are other questions which require an early solution. It has become urgently necessary to settle the tax on real property by a skeleton Reich law. Furthermore, the Reichstag must reconsider the rent tax. In this connection, the whole problem of a simplification of the public administration must be settled.

But a definitive financial settlement pre-supposes not only a rationalised State administrative system but also a private economic system which is not shaken by crises. The distress of agriculture and the lack of sufficient orders for a number of important industries do not permit the income tax to become a suitable basis for the budget. The right of the communes to levy supplemental contributions to the income tax would therefore not help them (the communes) much.

Every reform of the financial settlement will be meaningless in its result if it does not undertake to settle the totality of tax burdens borne by taxpayers. Therefore the levying of supplemental contributions to the income tax will signify a step forward and a benefit to the economic system in the solution of the financial settlement problem only if the burdens within the economic system are equalised concomitantly with this solution. The financial settlement is not conceivable as a pure equalisation of the money-requirements of those entitled to receive the taxes. The distribution of taxes can be settled definitively only if it signifies at the same time an equalisation of the tax pressure on those subject to taxes, and only if it, at least roughly, guarantees an equalisation of burdens for the various parts of the economic system. The financial administration is hard at work on the preliminaries for this definitive financial settlement; a number of bills, which are now being drafted, will be submitted to you in the course of the current year. I hope that my statements have shown to you that it is absolutely impossible to-day to submit a definitive financial settlement to you. It

even appears very doubtful to me whether this settlement can go into effect on April 1, 1928.

The Reichsrat and the Reich Government agree in the fundamental idea of retaining without change the present financial settlement for the transitional period. Therefore, no provision is made with a view to changing the proportionate shares in the chief taxes. However, a divergence of views exists with regard to the turnover tax. The Reich Government does not believe that it can advocate, from the point of view of the national economic system, the present special guarantee. The Reich Government is rather of the opinion that due consideration would be given to the just financial requirements of the States if they received a total guarantee of 2.4 milliards in the future instead of 2.1 as in the past. In view of the condition of the States and especially of the communes, I even considered it right to increase this total guarantee to a maximum of 2.6 milliards. In going beyond the previous Government bill in this respect, I do so, as I have said, because of the condition of many communes. On the other hand, I assume that as a result of these increased transfers, various States and communes will have an opportunity to decrease the tax on real property, which in some cases is undoubtedly excessive, especially since the States will be entirely relieved from contributions for supporting unemployment relief, - a matter which will eliminate for the States and communes one of the most important factors of uncertainty in their budgets.

The effort to eliminate as many differences of opinion as possible existing between the Reich and the States could be

furthered if the disputes which have been going on for years between the three South German States on the one hand and the Reich on the other concerning their share in the receipts from the beer tax were ended by a different distribution taking more consideration of actual conditions. I am also desirous of settling other differences of opinion between the Reich and the States. For this reason negotiations have begun with Bavaria and Wuerttemberg on the definitive settlement of the postal question, as well as negotiations with all the States concerning indemnification for the buildings and property turned over to the Reich for the use of the Reich revenue administration, on the basis of the Weimar Constitution.

Thus, I hope to clear the way for joint work in coming problems. Among these problems is the simplification of public administration. For years endeavours have been made to do a maximum amount of work in the Ministries with a minimum amount of help. In my own Ministry, my predecessor undertook a reorganisation during the past few months, which was the cause of hot disputes. On March 1st, I shall dissolve the Peace Treaty Section of my Ministry, and its duties will be divided among other sections of my administration. I shall continue simplifying my whole administration. Concerning the Reich Building Administration (Reichsbauverwaltung) I began to take the necessary measures a few days ago. I hope that other Ministries will follow my example. My experiences as Baden Minister of Finance convince me that reforms cannot be carried out through bulky memoranda or the creation of commissions. The smaller the sphere, the greater the possibility for energetic

measures, and the more effective the success. I trust that the States and communes will not regard it as an interference if I express the hope that their own reforms here and there may now be carried forward somewhat more rapidly. It is simply no longer permissible that two or three authorities should occupy themselves with the same matter. Our whole German economic system can no longer allow itself this luxury.

In this connection I must say that the Reich Commissioner of Economies has given many suggestions both to the Reich and the States as regards rationalised operations and work. He is not to blame that all States have not complied with his suggestions. I attach great importance to the work of the Commissioner and shall support him to the limit of my power. Of course, the financial results of changes in organisation will not always be apparent at once. It is often work on long sight. But this must not discourage those who are responsible.

I shall throttle expenditures, not by making long speeches but through acts. In this respect, I count on your energetic support. I know that this will not increase my popularity but, after all, it is not the task of a Finance Minister to seek popularity but to fulfil his duties.

Our tasks during the next few years will be very difficult and bitter. Domestic and external burdens will exert extraordinary pressure. The days are gone forever when the Reich Finance Minister passed through the country pouring out blessings and money. Years of restriction and struggle are facing us. Nevertheless, it seems to me that there is no room

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 21, 1927.

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR THE MONTH OF JANUARY 1927.

(see DOC. 230)

The Deutscher Reichsanzeiger No. 39 of February 16,1927,publishes the summary of the Tax Receipts of the Reich for January 1927. The following table shows the receipts from the different categories of taxes.

Table I. AGGREGATE TAX RECEIPTS

(in million RM)

	Estimated Receipts		Receipts collected					
	Financial year 1926-27	Monthly average	Financial Year 1926-27			October 1926	January 1927	From April 1 1926 to January 31 1927
			1st Quarter	2nd Quarter	3rd Quarter			
			Monthly average					
I. Taxes on income, sales, transport, etc.								
a) recurrent	4 476.0	373.0	319.7	417.8	415.2	523.6	526.4	3 984.5
b) non-recurrent	30.0	2.5	4.7	2.9	6.1	11.3	2.2	43.4
II. Customs and taxes on tobacco, beer, etc.								
a) assigned	1 907.0	158.9	153.7	210.3	219.4	202.4	229.9	1 980.1
b) other	52.3	4.4	6.9	3.8	3.8	3.7	5.0	48.6
III. Miscellaneous	-	-	-	-	-	-	-	0.2
IV. Aggregate increase in returns of taxation	219.8	18.3	-	-	-	-	-	-
TOTAL	6 685.1	557.1	485.0	634.8	644.5	741.0	763.5	6 056.8

I. The receipts in January of each year are invariably large owing to the fact that several periodic payments fall due (quarterly or half yearly payments) and to the increased value of certain taxes in the Christmas season. The receipts for January 1927 are satisfactory. They exceed those of January 1926 (RM 663.5 millions) by 100 millions and only fall short of receipts in January 1925 (RM 768.8 millions) by 5.3 millions, despite the reduction of taxes which has since been effected. Receipts in January exceed those of October 1926 - the corresponding month of the third quarter - by RM 22.5 millions. This increase is entirely due to the two important categories of taxes: Taxes on income, sales, transport, etc. - 2.8 millions, assigned Customs and Taxes on Tobacco, Beer, etc. - 27.5 millions, as non-recurrent taxes have decreased.

II. The following table shows in detail the receipts from Taxes on income, sales, transport, etc.

(in million RM)

	Estimated Receipts		Receipts collected					
	Financial year 1926-27	Monthly average	Financial Year 1926-27			October 1926	January 1927	From April 1 1926 to January 31 1927
			1st Quarter	2nd Quarter	3rd Quarter			
			Monthly average					
Income Tax								
a) on wages	-	-	83.6	93.2	99.8	95.9	103.7	933.5
b) on income from capital	-	-	13.5	5.0	5.5	8.4	12.1	83.7
c) on other forms of income	-	-	59.6	109.4	100.8	182.7	167.9	977.7
Together	2 100.0	175.0	156.7	207.6	206.1	287.0	283.7	1 994.9
Corporation Tax	250.0	20.8	18.1	47.8	32.2	68.1	65.5	360.0
Tax on Real and Personal Property	400.0	33.3	12.1	26.7	34.7	10.2	12.2	232.5
Turnover Tax	974.0	81.2	73.2	67.6	72.8	87.8	100.7	741.3
Tax on Bourse transactions	50.0	4.2	3.5	6.1	8.5	5.3	6.3	60.7
Transport Tax	325.0	27.1	25.3	27.8	26.8	28.2	25.7	265.3
Other Taxes	377.0	31.4	30.8	34.2	34.1	37.0	32.3	329.8
TOTAL	4 476.0	373.0	319.7	417.8	415.2	523.6	526.4	3 984.5

The tax on wages (RM 103.7 millions) collected on 25 working days (period from December 21 to January 20 - taking the Christmas holidays and New Year's day into account) shows a decrease of RM 2.0 millions as compared with receipts in December (RM 105.7 millions - 25 working days), but still shows an increase over receipts in October (RM 95.9 millions - 27 working days) and November (RM 97.7 millions - 26 working days).

A provisional payment on account of the tax on other forms of income - excepting payments due from agriculturalists - and the Corporation Tax fell due on January 10, thus explaining the considerable increase of those taxes by comparison with December (RM 167.9 millions and RM 65.5 millions in January as against 48.2 and 11.8 in December). Receipts are however slightly smaller than in October (RM 182.7 and 68.1 millions) as receipts in October were increased by arrear payments in settlement of 1925 taxation.

There was no payment of the Tax on Real and Personal Property in January. The sums collected during the month represent arrear payments. Payment of an instalment is due on February 15.

In addition to the normal monthly instalments, receipts from the Turnover Tax include a quarterly instalment from certain categories of taxpayers, payable in the first month of each quarter. This explains the particularly large receipts in January, which show an increase of RM 12.9 millions as compared with those for October, equivalent to about 14.7 per cent. This increase is largely to be attributed to the volume of business during the Christmas season.

The volume of business, calculated according to receipts from the Turnover Tax and taking variations in the rate (at present 0.75 per cent) into account, is considerably increasing as is shown by the following table.

VOLUME OF BUSINESS IN EACH QUARTER

(in million RM)

	1924	Per centage	1925	Per centage	1926	Per centage
1st Quarter	15 121	100.0	25 112	166.1	23 999	158.7
2nd "	16 892	111.7	25 294	167.3	26 758	177.0
3rd "	19 265	127.4	25 962	171.7	27 973	185.0
4th "	24 722	163.5	29 202	193.1	30 836	203.9

The increase due to the Christmas season will be noted in respect of the 4th quarter of each year.

There was less activity in Bourse transactions during January than during the two preceding months. The yield from the Tax was 6.3 millions in January as against 9.9 millions in December and 10.3 millions in November (the maximum so far attained).

The Transport Tax (RM 25.7 millions) shows a decrease of 2.5 millions as compared with receipts in October (28.2 millions) but still exceeds receipts in December (25.2 millions) and January 1924 (24.3 millions).

III. The third table shows the receipts from Customs and assigned taxes on consumption.

(in million RM)

	Estimated receipts		Receipts collected					
	Financial year 1926-27	Monthly average	Financial Year 1926-27			October 1926	January 1927	From April 1 1926 to January 31 1927
			1st Quarter	2nd Quarter	3rd Quarter			
			Monthly average					
Customs	580.0	48.3	55.3	82.6	78.6	76.7	120.9	770.6
Tobacco Tax	655.0	54.6	43.7	56.7	73.3	73.3	61.0	582.0
Sugar Tax	265.0	22.1	18.9	28.5	23.2	15.5	23.3	235.0
Beer Tax	235.0	19.6	21.4	26.0	20.3	21.9	2.8	205.9
Alcohol Monopoly	172.0	14.3	14.4	16.5	24.0	15.0	21.9	186.6
	1 907.0	158.9	153.7	210.3	219.4	202.4	229.9	1 980.1

On the whole these receipts continue to remain at a high figure. The decrease of 6.8 millions by comparison with December is chiefly due to the small receipts from the Beer Tax.

Customs show a marked increase (RM 44.2 millions by comparison with October and RM 38.6 millions by comparison with December) owing to the payment of a half yearly instalment from certain tax payers.

The decrease in receipts from the Tobacco Tax (RM 12.3 millions by comparison with October and RM 12.2 millions by comparison with December) is mainly due to the fact that the supplementary tax (Nachsteuer) is no longer collected. This was a tax on certain old stocks

of tobacco in hand on October 1 1925, and was equal to the Specific Materials Tax (Materialsteuer) instituted by the Law of August 10 1925. The Nachsteuer was in the form of monthly instalments the last of which was payable in December 1926.

Owing to the new system governing the Beer Tax, which came into force on January 1 last, payments formerly made twice a month will now only be effected on the 25th of each month for deliveries made in the last month but one (see Doc. No. 132). Consequently no payment was made during January. In February only the tax due in respect of sales effected during the second fortnight of December is payable. In March the tax will once more apply to sales covering a whole month (January sales).

It may be noted that in the ten months ending January 31, receipts from Customs and assigned taxes on consumption (RM 1 980.1 millions) have already exceeded the original estimates (RM 1 907 millions) for the whole of the financial year, and have almost equalled the revised estimates for the whole of the financial year put forward in the supplementary budget (RM 1 997 millions).

L.G.B.

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TRANSFER COMMITTEE.

ECONOMIC SERVICE.

BERLIN, February 22 1927.

FINANCES OF THE REICH.

RESUME OF THE SPEECH BY THE FINANCE MINISTER OF THE REICH ON THE BUDGET FOR 1927 AND THE FINANCIAL POSITION, MADE IN THE REICHSTAG, FEBRUARY 16 1927.

(Based on the official text which appeared in the Deutscher Reichsanzeiger No. 41 of February 18, with complete translation of certain passages.)

(See DOC. 236.)

The Budget which the Minister had to defend before the Reichstag was established by his predecessor, and time did not allow of any modifications being made therein.

I. FINANCIAL YEAR 1926.

The Minister stated that, as far as could be seen from present results, the financial year 1926 would close without a deficit and almost certainly with a relatively small surplus in so far as the ordinary budget was concerned. As for the extraordinary budget, amounting to 940 million RM, there were available the proceeds from the last loan amounting approximately to 450 millions, and from a loan from the Postal Administration of 100 millions. Provisions had still to be made for procuring the necessary cover for the balance, it

being remembered that the Reich could not have recourse to any new loans during the coming months. It has only been possible as yet to record the grants for the extraordinary budget, owing to the fact that certain items of extraordinary expenditure for which provision was made in the budget have not yet been utilised, in addition to the existing surpluses, the loan from the Postal Service and the available portion of the working fund.

The reduction in the 1926 taxes had certainly had a good effect on the economic position, but it should be noted that there would still be a deficit from the Turnover Tax, the proceeds from which had been estimated at 1 250 millions before the reduction and 974 millions after the reduction. This tax produced 640 millions during the nine first months of the year. The figure for January-March was approximately 200 millions, making a total of 840 millions or a reduction of 130 millions. The reduction in the rate of the tax had not led to any increase in the yield or to a fall in prices. The same applied to the Tax on Real and Personal Estate which had been reduced in the case of small fortunes; it only yielded 232 millions during the first ten months of the year although the estimated amount for the year was 400 millions, and it was very doubtful whether this latter figure would be obtained in the financial year. The Tax on Bourse transactions had on the other hand produced a surplus.

II. GENERAL OBSERVATIONS ON THE FINANCIAL YEAR 1927.

The Minister remarked that thanks to the use of the reserves and to the fact that reparation payments had not yet been charged to their full amount the Budget for the financial year 1926 was able to influence favourably the economic situation. "The 1927 budget however is enveloped in the deepest shadow. The reserves from earlier years have been exhausted, and expenditure has in some cases been estimated with a very small margin; the practice followed in previous years of including in the estimates for expenditure certain reserves to be used partially to cover the supplementary budget has been intentionally abandoned. The further expected improvement of the economic position has been taken into account to a very large extent when estimating revenue. Various items of expenditure which are certain to arise have not been taken into consideration at all. The increase of the reparation burden is however enormous and is exercising a fatal influence on the whole of the internal budget."

According to the Minister, the total burden of the Reich for the financial year 1927-28 amounted to 7 990 millions for the ordinary budget and 536 millions for the extraordinary budget, as compared with 7 600 millions for the ordinary budget and 840 millions for the extraordinary budget of the financial year 1926-27. The increased items were the increased charge for reparations of approximately 400 millions, the disappearance of surpluses amounting to 400 millions and a deficit of 100 millions in the proceeds from the minting of coins, or

900 millions in all. This additional burden was balanced by reductions of 135 millions in internal charges resulting from the war, and of 220 millions in general administrative expenditure; and by an increase of 545 millions in the revenue.

"I cannot however conceal the fact - and I consider it my duty before assuming my post to draw attention to this point - that the equilibrium of the ordinary budget is only apparent." The Minister said that no provision had been made as from April 1 1927 for unemployment relief, as it was assumed that the Law for Insurance against Unemployment would make such expenditure unnecessary. However, as under certain circumstances the Law required the Reich to supply advances without interest, an appropriation should have been made to cover the interest on these advances. If - as was very possible - the Law was not voted in sufficient time to allow of its being applied as from April 1, the Reich would have to continue its relief to the unemployed and moreover would have to keep the promise made by the previous Finance Minister to relieve the Federal States and the Communes of their share of the burden. That would represent an expenditure of 40 millions a month, even with a reduced number of unemployed. In addition, the rise in rents was likely to result in a corresponding rise in salaries. Finally, the question of increased salaries and increased grants to the war victims would have to be dealt with during the present year. Salaries had been adjusted last in November 1924 and their readjustment was a necessity of State. The system of exceptional grants would have to be

definitely abandoned for it gave rise to expenditure without bringing about any lasting improvement. The position of the small "rentiers" also remained to be considered. The Minister stated that mention had been made of a reserve of 300 millions to meet those items of expenditure, to be drawn from the proceeds of the Income Tax and the Corporations Tax. Those taxes would probably yield a surplus inferior to that figure, but the Reich would only benefit to the extent of a quarter.

Moreover the economic situation was not cloudless. Although the crisis had given way to a certain improvement, it would have to be remembered that this improvement was due partly to the British coal strike and to the inflow of foreign capital. More normal conditions might be expected in the future; the situation in agriculture, which had had a bad harvest, was still difficult; the number of unemployed remained very high, the figure on February 1 being only 200 000 less than at the same date last year. "A country with 1 750 000 unemployed is still very far from complete restoration." The present position called for a financial policy guided by economic and social considerations rather than by considerations of taxation. The Government was determined not to impose fresh charges on the national economy, to renounce any policy of hoarding and to maintain the general outlines of the tax legislation of 1925. All that it intended to introduce was a simplification of legislation from

an administrative point of view, in order to assist tax-payers in making their declarations. With reference to the rates of the taxes, the Government would endeavour to cover its requirements with the present rates and to effect further reductions, especially in respect of the taxes on consumption (Sugar Tax). The first step would have to be a simplification of the methods of applying the tax laws. The revenue offices were overburdened with work, and that rendered it impossible to assess the taxes in a just and equitable manner. The Minister did not intend to proceed to a fresh assessment of agricultural property and buildings before 1928.

At the present juncture it appeared of importance to limit the number of the periods of payment; for example, in the case of the Turnover Tax, to substitute quarterly payments for monthly payments; and in the case of the Tax on Wages, to substitute half-monthly payments for 10-day payments.

The Minister was of the opinion that the Service (Buch- und Betriebsprüfung) engaged in control of the books and general exploitation of the concerns should be maintained, in spite of the criticism to which it had been subjected.

III. DETAILED EXAMINATION OF THE 1927 BUDGET.

"It is quite obvious that this budget taken as a whole is still very extravagant in spite of all the reductions effected and does not correspond to our real economic position." It nevertheless does not represent the entire burden borne by German economy. According to a statement recently drafted,

the amount in respect of taxes and other dues borne by the German people in 1927, including the "Industrial Charge" (Experts' Plan) and the Rentenbank charge, totals 7 800 millions for the Reich, 1 200 millions for the Federal States and 2 milliards for the Communes, making a grand total of 11 milliards. Far-reaching reductions must therefore be made. "For a budget of this importance cannot contain any sacred and inviolable figures."

The Minister said that the extension of the extraordinary budget and consequently that of the policy of loans should receive special attention. According to the figures, the Reich covered its expenditure by means of loans to the extent of: 97.5 millions in 1911, 43 millions in 1912, 39 millions in 1913, and 17 millions in 1914. The public debt of the Reich at the outbreak of war amounted to 5 milliard marks. As compared with those figures they had had recourse to loans to the extent of 840 millions in 1926 and 528 millions in 1927. This expenditure served more especially to revive trade and to procure work, but the increase in the debt should nevertheless be followed with great attention. "In view of the exceptional amount of the extraordinary budget, the question must be examined in detail as to whether the policy adopted was the only one allowing of the certain employment of a large number of unemployed; the economic side of the proposed work of canalisation should also be studied simultaneously and a definite attitude adopted towards the discussions carried on by the general public on the expediency and the extent of the building

of navigable waterways, in view of the radical changes occurring in the technical domain." All that could be said at present was that, although recourse to fresh loans appeared comparatively easy at the present time, such a policy should be limited to the credit capacity of the Reich.

Another large item in the budget was composed of the war and reparation charges. If they were totalled, expenditure of approximately 2 milliard marks would have to be met in 1927 for internal war charges, the budget contribution in respect of reparations and the service of the Railway bonds and Industrial debentures. If the sum for war pensions (1 300 millions) was added, the total figure became 3 300 millions. Internal war expenditure decreased from year to year, the figure for that year being 135 millions less than the previous figure, but the figure for reparation payments had risen that year by 350 millions, the figure for the Railway bonds by 33 millions and the figure for Industrial debentures by 90 millions. The extraordinary increase was due to the fact that 7/12ths of the fourth annuity year were included in the financial year. Moreover, 192 millions were due between April and August in respect of the supplementary contribution. "Although I welcome the agreement on the payment of the supplementary contribution, more especially because it involves a reduction of the charges under the London Protocol, increased possibilities for deliveries in kind during the current reparation year, and a certain liquidity of funds with

the Reichshauptkasse due to the automatic liberation of the assigned revenues, I nevertheless regard the future with deep uneasiness. According to the Dawes Plan, our payments from the Budget, from the service of Railway bonds and from the service of Industrial debentures will be increased next year by a further 432 millions, and by a further 290 millions as from 1929.

"I cannot at present see any possibility of our being able - with the best will in the world - to raise these amounts to which there will have to be added as from 1929 the supplementary contributions resulting from the index of prosperity. I note with satisfaction the conclusion of the Agent General's Report of November last namely that in the field of reparation payments Germany has in the second year, as in the first, promptly and loyally discharged all her obligations. I share his opinion that a turning point has been reached with the close of the two annuity years not only in the restoration of Germany but also in a larger sense in the restoration of Europe. When the Agent General draws attention to the fact that stabilisation is not yet a fact everywhere in Europe, and that until achieved it is idle to expect the trade of the world to develop along natural lines, I should like to add that the future development of Germany's possibility to effect reparation payments is essentially dependent upon the re-establishment of normal trade relations. Germany will continue to exert herself to the utmost loyally to fulfil her contracted obligations, but the necessary preliminary conditions must first be

fulfilled. We welcomed the Dawes agreement because it represented an attempt to lead the problem of reparations from the domain of one-sided political decisions into the calmer domain of economic agreements. An essential condition of its execution is - for us - the strengthening of German economy, because an economy which is struggling for its existence is quite incapable of producing a burden of milliards for reparation purposes."

Before discussing the budget item by item, the Minister stated that no provision had been made for creating any more new posts than were absolutely necessary, and that the new posts which had been created were counter-balanced by a much larger number of suppressed posts, so that the number of officials had been reduced by 300, that of auxiliary officials by 670, and that of staff other than officials by 2 270.

Turning to the question of the guarantees to be assumed by the Reich, the Minister pointed out that the new Finance Law had been drafted with more restrictions, in conformity with the wishes of the Reichstag. He was in principle opposed to the granting of subsidies or guarantees. "Neither can I agree that the State should be placed in the position of banker of the national economy."

He then reviewed the different budgets.

Ministry of the Interior.

He referred to a grant of 15 millions to the frontier regions (more especially the western frontiers); and expressed

himself against the increase of this grant to 30 millions, as proposed by the Reichsrat.

Ministry of Labour.

He referred here to an increased appropriation of 7 millions, for social insurance, which brought the total to approximately 200 millions without any guarantee that this sum would be sufficient to meet requirements.

He further referred to maternity grants amounting to 25 millions and to grants for the unemployed amounting to 245 millions.

Ministry of War.

There was an increase in ordinary expenditure amounting to 16.5 millions in the budget of the Reichswehr. The Minister laid stress upon the fact that the conversion of the Army into a professional army and the other provisions of the Treaty of Versailles involved considerably higher expenditure than before the war.

Ministry of Public Works.

The programme for the construction of navigable waterways was being continued and the grants suppressed in the 1926 supplementary budget had been re-introduced.

The budget of the Public Debt of the Reich.

Owing to the increased amount of securities subject to revalorisation, 135.6 millions more had been asked for the

repayment of the revalorised debt, over and above the figure of the preceding financial year. In this connection the Minister expressed himself against the substitution of an interest-bearing loan for the present system of liquidation by drawings. He said that it would be necessary to issue an interest-bearing loan for several milliards which would be a heavy charge on the finances of the Reich for an indefinite period and would hinder the issue of further loans. Moreover, such a settlement would dangerously react on the Federal States and the Communes. "On this point I am in full agreement with the Management of the Reichsbank which is very much opposed to a conversion of the drawing certificates (Auslosungsscheine) into an interest-bearing loan."

General Finance Administration.

The grants for the upkeep of the Police Force were reduced from 210 to 190 millions but the reduction was only provisional. A grant of 15 millions had been provided to cover the risks which the Reich might incur in connection with the guarantees assumed by it. A large proportion of the credits secured by the Reich fell due in 1927 and some of them were for relatively large amounts; these were credits for the supply of manures amounting to 30 millions, credits to vine-growers, credits for agricultural machinery, credits to the linen and flax industry. The following had also been provided: a credit of 30 millions for the continuation of railway lines which have already been begun; a credit for the formation of a

working fund for the Alcohol Monopoly Administration; a credit of 60 millions for compensation to German subjects who had suffered loss from liquidation and expropriation abroad.

In this connection the Minister recalled the efforts of the German Government to have the charge of these indemnities deducted from the Dawes annuities, and the award of the Hague Tribunal against the German thesis. "The Government is at present examining what possibilities there are in this direction. It will continue to emphasize the insupportable state of affairs for Germany who is unexpectedly called upon to bear very heavy war charges in addition to the charges under the London Agreement". The Government nevertheless intended to consider the means of assisting the most necessitous cases and will submit proposals in this connection at a later date.

The Minister closed this part of his speech with a reference to the point of view of the Government in regard to the differences of opinion which have arisen between it and the Reichsrat; he pointed out the constitutional and practical objections against the claim of the Reichsrat to raise the estimates of revenue.

IV. <u>THE FINANCIAL SETTLEMENT WITH THE FEDERAL STATES</u> (Finanzausgleich).

The Minister thereupon discussed the question of the Finanzausgleich with the Federal States. He stated that he was a convinced partisan of the principle laid down by the

Constitution of Weimar, which asserted the superiority of the Reich over the Federal States, whilst guaranteeing the independence of the latter within certain strictly defined limits. The different instances - Government, Reichsrat and Reichstag - were attempting to arrive at a final solution of the financial relations between the Reich and the Federal States, but such a solution was impossible of discussion without complete information on the revenue and finances not only of the Reich but also of the States and Communes derived from complete statistical data. "As however these necessary and valuable statistical data on the most varied subjects has not yet been procured, it is quite impossible at the present time to make any final proposals in respect of the Finanzausgleich". The financial settlement should provide for a modification of the present system and, in particular, permit the States and Communes to levy supplements (Zuschläge) on the taxes collected by the Reich in place of the transfer of a fixed quota of the tax. Such a change would involve radical modifications and correspond to a new system of regulating the real taxes at present collected by the States. It should therefore not be effected unless it has been found possible to establish a system by which taxpayers are subjected to a fair distribution of the taxation burden. "I doubt very much whether it will be possible to establish this financial settlement by April 1 1928, for the reasons which I have just enumerated. All the experts agree on this point." He said that both Reichsrat and Government of the Reich were in agreement on the principle of provisionally

retaining the present basis of the settlement. There was one difference of opinion in respect of the Turnover Tax. The Government thought that it would not be able to continue to give the present guarantee* but, in order to take account of the legitimate requirements of the States, the Government was disposed to guarantee in future 2 400 millions instead of 2 100 millions. "I considered it admissible that, in view of the position of the Federal States and more especially of the financially less favourable position of many Communes, the amount of this total guarantee should be still further increased by a corresponding amount, bringing the total to a maximum of 2.6 milliards." The Minister hoped that this concession would make it possible for the States and Communes at once to reduce certain real taxes which were particularly heavy.

In order to create an atmosphere of confidence between the Reich and the States, he was considering a modification of the quotas of the Beer Tax now transferred to the three Southern States (Bavaria, Wurtemberg, Baden) which would correspond more nearly to present conditions. At the same time a settlement would be discussed on the question, still pending, of the compensation due for the transfer of the Postal Service to the Reich and for the acquisition by the latter of land and property used by the Finance Administration.

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* Guarantee calculated on a yield of 1 500 millions, although the yield from the tax is now only estimated at 900 millions.

V. ECONOMIES FOR IMMEDIATE CONSIDERATION.

At the end of his speech the Minister returned to the question of the simplification of the public services. He reminded his hearers of the steps taken by his predecessor to re-organise the Finance Ministry. He pointed out that as from March 1 the department dealing with matters connected with the Peace Treaty in the Finance Ministry (Section V, Administration von Brandt) was to be suppressed and that other measures were to be taken in respect of the administration of State property. He expressed the desire that the States would follow the example of the Reich in this connection, and that it would no longer be found - as in the past - that two or three official departments were dealing with the same subject, thus duplicating or triplicating the work.

In this connection he counted on the Commissioner for Economy (Reichssparkommissar) whose work he would encourage and support to the utmost of his power.

He concluded by stating that, in spite of the gravity of the situation, pessimism would be out of place, and confirmed his confidence in the future of the German people.

(Signed) L. GAILLET-BILLOTTEAU.

Translation 4145.
MdeJB.

I.I.9.302 a - DOC.239.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, February 24, 1927.

FINANCES OF THE REICH

RESUME OF THE SECOND SPEECH OF THE FINANCE MINISTER

ON THE FINANCIAL SITUATION

(February 19, 1927)

(Summary prepared from the official text in the Deutscher Reichsanzeiger No.45, of February 23, 1927). (1)
(see DOC. 238)

The Finance Minister commenced his speech by protesting against the reproach of pessimism which had been levelled at him. The serious tone of his previous speech had been dictated by the circumstances of the case. Dr Reinhold himself had admitted that 1927 would be an extremely heavy year. He had admitted that he had only covered the first and easiest stage of the journey - the reduction of taxation; the second half had been left to his successor, whose task it would be so to reduce expenditure as to enable the impoverished German people to support it.

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(1) This speech is a reply to vehement criticisms from the Democratic party, and is therefore definitely polemical in character. For reasons of brevity, the polemical part has only just been touched upon, and only the statements of fact emphasised.

That task did not give much food for eloquence and was not calculated to arouse enthusiasm such as that caused by the reduction in taxation. "I think I am right in saying that when the reductions in taxation were decided upon in February 1926, administrative reform was expressly stated to be an essential part of the measures to be taken. This reform has not yet been undertaken; the suppression of a few posts of Ministerialräte cannot be called administrative reform."

He said he would approach that part of his task without any considerations of prestige or desire for a personal triumph.

He had observed with great satisfaction that the parties were agreed that 150 million RM. could be economised. He was bound to say however that his departments had not yet seen any trace of a proposal for economies - on the contrary, numerous parliamentary demands had been made involving fresh expenditure.

In reply to a remark made by an interrupter who said that 100 million RM. could be economised on the construction of canals, he pointed out that that was extraordinary expenditure covered not by taxation but by loans, and that last year it had been regarded as a great step forward, when the intention of his predecessor henceforth to cover all productive expenditure by means of loans had been made known.

Dr Köhler kept to his point that items of expenditure which would certainly be incurred had not been provided for in the budget. As regards unemployment relief in particular, he said that, although it was true that some hundreds of millions of marks had been provided for in the budget, no provision had

been made for a single pfennig for assistance to unemployed persons properly speaking, between April 1 and the date on which unemployment insurance would come into force. Fifty million RM. had been allowed for productive insurance and a further 130 million RM. for productive insurance with specification of the particular objects to which it was to be devoted. Of the 200 million RM. for relief of unemployed persons properly speaking, 50 millions were to go to a first installation fund; 50 millions for the transition period and 100 millions for relief in the event of a crisis (Krisenfürsorge).

"It was very painful for the whole Cabinet last Tuesday when I was compelled to state that we have not a penny with which to meet our engagements to the States and Communes, when (April 1) we are to take over the charges hitherto borne by them for unemployment relief. That is an item of expenditure which, even in the event of a fall in unemployment, will amount to 40 million RM. a month."

The same was true of the other items of expenditure which he had discussed in his previous speech.

He had, he said, been blamed for having said that his predecessor had been responsible for bad management in the administration of the finances of the country. As a matter of fact, when he was Finance Minister for Baden, it had been his duty to undertake an examination of the methods employed by the Finanzämter in assessing and collecting taxes of the State (Tax on landed property and tax on professions). The result of his observations had been in some respects extremely alarming

and he had decided to approach the administration of the Reich on the matter. When he became Finance Minister of the Reich he had seen for himself that the same was true for the whole Reich. He had no personal accusation to make against Dr Reinhold, but he was of opinion that a sound system of assessing taxes was the best kind of tax legislation at the present time.

It had also been alleged that the concessions promised to the South German States in the matter of the Beer Tax had been one of the conditions of the formation of the Cabinet(1). He could assure them that the negotiations relating to that tax had been entered upon while his predecessor was still in office and had had no influence whatsoever in connection with the constitution of the new Cabinet.

In connection with the conversion of the revalorised debt into an interest-bearing loan, it had been said that Dr Reinhold's proposal had received the assent of the former Cabinet. The truth was that the Cabinet raised serious objections to the proposal but authorised Dr Reinhold to discuss the question with the parties concerned.

Dr Fischer had raised the question of the cash position, which he said must be very satisfactory since no recourse had been had to a loan in 1926. "That is unfortunately not quite correct, considering the development of our receipts and payments. I showed last Wednesday that we did not at the present

(1) This is no doubt a concession demanded by the Bavarian People's Party.

moment absolutely need the loan which was contracted for the purpose of taking advantage of the favourable market conditions, but that we should most certainly need part of that loan within the next few weeks to cover the expenditure for the financial year 1926. Dr Fischer has asked to have the figure for our cash position at the end of December 1926. The figure is, taking into account funds loaned from the Postal Service - which amounted to 100 million RM. - 7 millions on December 31, 1926. I take this opportunity of saying that we still have a debt of 100 million RM. in connection with the Postal Service and not 70 millions. If we leave out of account these borrowed funds, we had a deficit of 93 million RM."

Dr Fischer had implied that there must be taxes in respect of which respite of payment had been accorded and that these taxes represented very considerable sums. He (Dr Köhler) had however taken these cases of respite of payment into consideration when estimating taxes for 1927.

As for the short term credits, these had unfortunately for the most part become "frozen credits" (festgefroren); for the rest they were mostly represented by the loan which had just been issued and were required to cover extraordinary expenditure for 1926. Dr Fischer had asked what that expenditure had been covered by up to the present. The answer was by all the revenue in 1926. "Without making any distinction between extraordinary receipts and ordinary receipts, we employed all the cash (Kassenbestände) as it came in (including those obtained under the ordinary budget) to cover extraordinary expenditure.

We added to that the liquid part of the operating fund, the 100 million RM. from the Postal Service and all the other moneys coming in. During the current month things are beginning to change very considerably. We shall have a deficit this month, even in the ordinary budget. Thus the question whether we had set aside cash funds for special transferable items will be answered. In so far as I have been able to ascertain, not a pfennig has been reserved for expenditure which will have to be met during the next few months, although coming under the 1926 budget. Reserves to be used for specified objects do not exist in our department, but are all included in the statements of the Reichshauptkasse."

He said that a request had been made that monthly statements should be drawn up more clearly. It was also his wish that that should be done, but he would like to point out that they ought not to fail to distinguish between the situation in regard to the budget and that in regard to the Treasury. "If I include in the Kassenbestände the money coming from outside and derived from loans, I may say that the situation in regard to the funds available is splendid, and foreigners are quite right when they say that there are now hundreds of millions in the coffers of the Reich. Our budget situation is however naturally quite different. In this connection I should like to say that I entirely share the views of those who wish the Kassenbestände of our public cash offices to be much more centralised and the offices to co-operate more than has been the case hitherto. I will not go into details, but those who understand such matters realise perfectly well that it is undesirable that we should have at

least three separate important cash departments with their own reserves and their own operating fund."

Dr Köhler renewed the promise he had made to submit during the coming months a general settlement of the "real" taxes (of the States) in relation to the Tax on Rents. The agreement with the States on that question was a first necessary condition of the definitive financial settlement with which he would not delay one day more than necessary.

As for the provisional financial agreement with the States, the increase in the amount of the guarantee from 2.1 milliards RM. to 2.4 milliards or 2.6 milliards had been criticised. Account had not been taken of the fact that the States and Communes had a definite right to a share in the effective yield of the taxes. When the amount of the guarantee was raised, it was merely fixed at the figure corresponding to the estimates which had been made. It should not be forgotten that a certain newspaper article had indicated that the income tax and company tax would probably yield 300 millions more than had been allowed for.

At the same time the financial position of the Reich could not be said to be brilliant, merely because, as had been stated in the Press, 200 or 300 millions more could be handed to the States, for the States had a legal right to their share of that money. There was no question of making a present to the States.

He denied that he had any intention of introducing a tax on raw materials (Betriebstoffsteuer) to be generally applied.

That tax had merely been envisaged as a possibility, but there was no question of its being introduced and he would keep his promise not to ask for any increase in taxation in 1927.

Dr Köhler concluded his speech by saying that the change at the Finance Ministry did not represent a "triumph of bureaucracy" over economy, and that all the officials of the Finance Ministry would continue to be guided in the first instance by economic considerations.

(signed) L.GAILLET BILLOTTEAU.

Translation 4157 (from the French); translated NL: checked CPH. EP.

I.I.9.333. DOC. 240.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 9, 1927.

FINANCES OF THE REICH.

SIMPLIFIED TAX COLLECTION AND EXTENDED JURISDICTION OF THE FINANZÄMTER (REVENUE OFFICES)

On February 16 1927, the Finance Minister announced in the Reichstag that he was considering various measures relating to the collection of taxes, with a view to simplifying the work of the Finanzämter (Revenue Offices) and the taxpayers, and extending the jurisdiction of the local organisations. A decision of February 19 1927 (1) embodies the aforesaid reforms and may be summarised as follows:

1) Tax on Real and Personal Property (Vermögensteuer).

Under the Law of August 10 1925 (see Note No.15; Docs. 66 and 132) the taxpayer's property has to be valued every year preparatory to the final fixing of the tax. In view of the lengthy assessment procedure it was decided that there would be no new valuation for 1926 and that the 1925 assessment would serve as a basis for the 1926 tax (see Doc.182), - the new valuation being postponed until January 1 1927. The valuation of property as at January 1 1925 having only just been completed, the Minister has decided that,

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(1) published in the Press of March 2 1927.

subject to the approval of the Reichsrat and a Reichstag Committee, no new valuation of immovable property will be undertaken in 1927, and that only "sundry assets" (shares etc.) and movable business capital will be assessed for that year.

2) Tax on Wages (Lohnabzug).

Hitherto the sums deducted at the source in virtue of the Tax on Wages were paid to the Finanzkassen (Revenue Cash Offices) three times a month:

on the 15th, for deductions made from the 1st to the 10th of the month
" 25th " " 11th " 20th "
" 5th of the following month for deductions made from the 21st to the end of the month.

The Minister has decided that as from March 31 1927, payments shall be made not oftener than twice a month, on the 20th (for deductions made from the 1st to the 15th) and on the 5th of the following month (for deductions made from the 16th to the end of the month).

3) Turnover Tax (Umsatzsteuer).

Hitherto the declarations and the payments of Turnover Tax were made to the Finanzkassen (Revenue Cash Offices) as follows:

for the majority of the taxpayers concerned, every month - on the 10th of the month - on the turnover realised during the previous month;

for certain taxpayers (bankers etc.) every quarter, on the 10th of January, April, July and October, on the turnover realised during the previous quarter.

The Minister has decided that as from April 1 1927 the monthly payments will be dropped, and that the Tax will be payable quarterly by all categories of taxpayers on the 10th of January, April, July and October. Payments of the Tax may be deferred without penalty until the following 15th.

In addition, the declarations of small taxpayers, whose turnover did not exceed RM 10 000 for the civilian year 1926, will no longer be verified, provided the taxes paid by them are equivalent to the taxes paid during the corresponding quarter of 1926. These taxpayers may even be exempted from furnishing declarations.

4) Extended jurisdiction of the Finanzämter (Revenue Offices) and of the Presidents of the Landesfinanzämter (Provincial Revenue Offices) in the matter of tax rebates. - Abolition of legal proceedings etc.

a) For all applications for rebates or reduction of taxation the following shall have jurisdiction:

the Finanzamt (Revenue Office) for applications not exceeding RM 2 000 per category of tax;

the President of the Landesfinanzamt (Provincial Revenue Office) for applications involving RM 2 000 to 4 000.

The President of the Landesfinanzamt (Provincial Revenue Office) has jurisdiction to remit fines inflicted, in cases where the fine does not exceed RM 1 000. He has also jurisdiction to reject applications for tax rebates, irrespective of the amount involved.

b) All legal proceedings instituted during the Inflation in connection with taxation (with the exception of proceedings in connection with Succession Duties), will be dropped, as well as legal proceedings connected with the payment of Luxury Tax (Tax abolished as from April 1 1926).

c) Lastly, taxpayers are exempted from payment of penal interest on taxes in arrears, in cases where the interest due does not exceed RM 2. The Finanzämter (Revenue Offices) are not entitled to request information from Credit Co-operative Societies (Kreditgenossenschaften) unless these offices are able to supply the required particulars without inconvenience.

Remarks.

The measures taken in the matter of tax collection are justified and should lead to an appreciable reduction in the work of the offices and save the taxpayer a considerable amount of trouble. The present system is a survival of the Inflation and was adopted primarily in order to counteract the effects of the currency depreciation. At the same time, the reform instituted in the matter

of the Turnover Tax will tend to increase the inequality between the tax returns during the various months, and may possibly, for the first quarter of the coming financial year, necessitate having recourse to Treasury funds, pending the July payment which will be the first to embody the receipts for one quarter.

(signed) L. GAILLET-BILLOTTEAU.

Trans. 4201.
AA

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 9, 1927.

THE BALANCE SHEET OF THE RENTENBANK as at February 28, 1927.

(see DOC. 234).

The following is the comparison between the balance sheet of the Rentenbank as on February 28 1927, and the balance sheet as on January 31 1927.

	Balance sheet of February 28, 1927 (in Rent.M.)	Difference as compared with that of January 31, 1927 (in Rent.M.)
ASSETS		
Charge upon German agriculture	2 000 000 000.00	-
Rentenbriefe as on Jan.31 1927 Rent.M. 1 699 844 000 " " Feb.28 1927 " 1 699 844 000		
Loans to the Reich	923 521.558.78	- 2 172 828.08
Outstanding credits	293 444 861.00	-
Other debtors	7 676 830.18	- 433 023.69
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	67 995 358.17	- 1 184 443.21
Real property of the Bank	325 000.00	-
Office furniture and supplies	95 326.99	+ 6 426.50
Miscellaneous assets	3 302 767.25	- 27 525.13
LIABILITIES		
Capital	2 000 000 000.00	-
Rentenbank notes in circulation	1 149 016 457.00	- 2 172 828.00
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	67 793 963.46	-
Rentenbriefe in circulation	156 000.00	-
Credit of the Rentenbank Credit Institution	2 430 773.68	- 3 492 845.20
Carried forward	36 160 115.60	-
Reserves	6 132 825.65	- 1 200.00
Miscellaneous liabilities	687.50	- 800.00

In February 2 172 828.08 Rentenmarks, representing payments by the owners of the mortgaged land, were paid into the sinking fund at the Reichsbank. The items "Loans to the Reich" and "Rentenbank notes in circulation" are reduced by an equivalent amount.

Since the coming into force of the Law concerning the Redemption of Rentenbank Notes (October 11 1924) the following sums have been paid into the sinking fund:

141 478 441.22	Rentenmarks	in	virtue	of	§ a	of	the	Law
135 000 000.00	"	"	"	"	§ b	"	"	"
67 793 963.46	"	"	"	"	§ c	"	"	"
586 889 722.00	"	"	"	"	§ 11	"	"	"

Total... 931 162 126.68 Rentenmarks.

Translation 4203 (from the French): translated UP: checked NL.

EFD

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 10, 1927.

FINANCES OF THE REICH.

PUBLIC DEBT AS AT JANUARY 31,1927.

(see DOC. 235)

I. The total figures of the public debt (not including the revalorised paper mark debt) were as follows as at January 31, 1927, according to Wirtschaft und Statistik No.4, 1927. (The details in regard to the figures are given in the Annex.)

As at December 31, 1926	RM 2 196.8	millions
" " January 31, 1927	2 169.8	"
Reduction during January ...	RM 27.0	"

II. Variations in the different items.

The Treasury Bond debt remains unchanged at RM 20.8 millions.

The debts to the Banks show a total reduction of RM 29.6 millions. The debt to the Rentenbank has fallen RM 20.6 millions as a result of the payment to Sinking Fund of RM 5.6 millions, representing interest paid by the owners of the mortgaged land, and of RM 15 millions, representing the quarterly instalment of the Reich. The Reich also redeemed in January RM 9 millions of its debt to the Reichsbank, as provided for in the Budget.

Despite the payments made to Sinking Fund, the Reichsmark value of the German External Loan 1924 has increased RM 2.5 millions, as a result of the rise in foreign exchange.

Other debts (commitments, guarantees etc.) show no great change. The increase of RM 100 to 110 millions in the loan from the Postal Service, indicated in the Statement of the Finances of the Reich as at January 31, 1927 (see DOC.) is not yet shown here.

DEBT OF THE REICH

(in millions of RM)

	December 31 1926	January 31 1927
I. TREASURY BONDS		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	18.9	18.9
6 per cent " " 1932	1.2	1.2
"K" Bonds	0.7	0.7
Total:	20.8	20.8
II. DEBTS TO THE BANKS		
Rentenbank	878.5	857.9
Reichsbank	217.4	208.4
Total:	1 095.9	1 066.3
III. EXTERNAL LOAN		
110 million dollars	422.7	424.3
21.68 million pounds sterling	427.4	429.0
25.2 " Swedish crowns	27.4	27.4
100 " Lire	18.2	17.4
15 " Swiss francs	11.8	11.8
Total:	907.5	910.0
IV. OTHER DEBTS		
Commitments	9.7	9.7
Guarantees	50.9	51.0
Loan to Agriculture	12.0	12.0
Loan from the Reichspost	100.0	100.0
Total:	172.6	172.7
GRAND TOTAL	2 196.8	2 169.8

Translation 4205 (from the French): translated JMP: checked RB.

LH.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 10, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN JANUARY 1927

(Cf. DOC. 232)

The Deutscher Reichsanzeiger No. 54 of March 5 1927 published the table of receipts and payments of the Reich for the month of January 1927. The table is given below: the figures for October - the corresponding month of the previous quarter - have been added.

	Financial Year 1926-1927			
	October 1926	April-December 1926	January 1927	Total for first 10 months
	(in million RM.)			
A. ORDINARY BUDGET				
Receipts				
a) from taxation	741.0	5 293.2	763.5	6 056.7
b) administrative	45.0	325.7	23.4	349.1
Total	786.0	5 618.9	786.9	6 405.8
Payments				
a) General administrative.	364.1	3 339.4	436.9	3 776.3
b) Reparation payments ...	51.4	291.2	42.3	333.5
c) Transfers to the States	203.8	1 909.2	268.7	2 177.9
Total	619.3	5 539.8	747.9	6 287.7
Deficit brought forward...	-	-	-	-
Surplus brought forward...	166.7	79.1	39.0	118.1
Surpluses from financial years 1924 and 1925, as distributed each month	36.0	292.0	36.1	328.1
Budget deficit.....	-	-	-	-
Budget surplus.....	202.7	371.1	75.1	446.2

	Financial Year 1926-1927			
	October 1926	April-December 1926	January 1927	Total for first 10 months
B. EXTRAORDINARY BUDGET	(in million RM.)			
Receipts.....	0.2	1.6	-	1.6
Payments				
a) General administrative, including charges arising out of the war	63.9	372.7	16.6	389.3
b) Reparation payments ...	-	104.1	9.1	113.2
Total	63.9	476.8	25.7	502.5
i.e., net payments to be met out of loans	63.7	475.2	25.7	500.9
C. RECEIPTS AND PAYMENTS FOR THE FINANCIAL YEAR 1925-1926.				
Receipts	-	48.7	-	48.7
Payments	15.3	386.3	4.7	391.0

STATE OF THE FLOATING DEBT AS ON	October 30, 1926	December 30, 1926	January 31, 1927
1) Obligations to pay.....	9.7	9.7	9.7
2) Guarantees	50.9	50.9	51.0
3) Loan from the Post Office	70.0	100.0	110.0

REMARKS

I. The Ordinary Budget in January 1927 benefited by the tax instalments due in the first month of each quarter and closed with a surplus of 39 millions for effective receipts and payments (the surpluses for July and October, the first months of the preceding quarters, totalled 102.3 and 166.7 million RM). The drop is thus marked. Moreover, the January surplus is more

apparent than real. Whereas 62.3 million RM were transferred to the Federal States in January in respect of taxes collected in December, the 101.5 million RM due in respect of the taxes collected in January were not transferred until February and do not appear in the table. The payments for January are thus 39.2 million RM (101.5 - 62.3) above the figures indicated, with the result that in reality payments and receipts exactly balance.

The apparent surplus as shown by the table is raised to 118.1 millions for the first ten months of the financial year, and to 446.2 millions including the surpluses from previous financial years assigned as cover for the expenditure of the current year. Taking into account the transfers to the Federal States for January, these figures are reduced to 16.6 and 344.7 million RM.

The total receipts of the Ordinary Budget remain at the October level. The increase in receipts from taxation (22.5 millions - cf. DOC. 237) is counterbalanced by a corresponding decrease in administrative receipts.

On the other hand, payments show a total increase of 128.6 million RM over October (general administrative payments + 72.8 millions; transfers to the Federal States + 64.9 millions).

The increase in general administrative payments is due in part to the special Christmas bonuses, which could not be paid in full in December. As compared with December, however, these payments show a considerable decrease (436.9 as against 472.2 million RM.).

II. The falling off in the Reparation payments shown in the Ordinary Budget is due to the transfer to the Extraordinary Budget of the reserve of the Commissioner of Controlled Revenues, following upon the application of the supplementary Budget for the financial year 1926-1927. The January payments are distributed as follows:

	Ordinary Budget	Extraordinary Budget
	(in millions of RM)	
Normal Budget contribution	9.14	
Supplementary Budget contribution	17.94	
Transport Tax	22.55	
Payment to the reserve of the Commissioner of Controlled Revenues		1.83
Total	49.63	1.83
Payments already made to the reserve of the Commissioner of Controlled Revenues, transferred to the Extraordinary Budget	- 7.31	+ 7.31
Total	42.34	9.14

III. The payments of the Extraordinary Budget (other than Reparation payments) show a considerable decrease in January: they total 16.6 million RM as against 40.8 millions in December and 63.9 in October. At the end of January, the total payments to be met out of loans are 500.9 million RM thus exceeding the amount of the Reich loan issued in February (500 millions issued at 92, with net proceeds of something over 450 million RM).

IV. If the actual receipts and payments of the Ordinary and Extraordinary Budgets are added together for the financial year

1926-1927, the gross deficit at the end of January works out at 382.8 million RM - a figure which is reduced to 54.7 millions by the surpluses from previous financial years. The actual receipts and payments since April 1, 1926 in respect of either the financial year 1926-1927 or of the outstanding liabilities for 1925-1926 totalled as at January 31, 6 456.1 and 7 181.2 million RM respectively, leaving a deficit of 725.1 million RM. The surplus from previous financial years (400.1 millions) and the reserves of the financial year 1925-1926 (382 millions) - 782.1 millions in all - were thus reduced to 57 million RM.

FLOATING DEBT.

The state of the floating debt as on January 31, 1927 shows an increase of 10 million RM in the debt to the Post Office, thus raising the total debt from 100 to 110 million RM. No important alteration has occurred in the other items.

(signed) : L. GAILLET-BILLOTTEAU.

Translation 4206 (from the French);translated BWS:checked RB.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 21, 1927.

FINANCES OF THE REICH

TAX RECEIPTS OF THE REICH FOR THE MONTH OF FEBRUARY 1927.

(see DOC. No.237)

The Deutscher Reichsanzeiger No. 66 of March 19, 1927, publishes the summary of the tax receipts of the Reich for February 1927.

Table I : AGGREGATE TAX RECEIPTS.

The following table shows the receipts from the different categories of taxes.

(in millions of RM)

	Estimated receipts		Receipts collected					
	Financial year 1926/27	Monthly average	Financial year 1926/27			Nov. 1926	Feb. 1927	From April 1 1926 to Feb. 28, 1927.
			1st Quarter	2nd Quarter	3rd Quarter			
			Monthly average					
Taxes on income, sales, transport, etc.								
a) recurrent	4 476.0	373.0	319.7	417.8	415.2	398.6	376.0	4 360.5
b) non-recurrent	30.-	2.5	4.7	2.9	6.1	4.0	2.6	45.9
Customs & taxes tobacco, beer, &c.								
a) assigned.....	1 907.-	158.9	153.7	210.3	219.4	219.0	192.8	2 173.0
b) other.....	52.3	4.4	6.9	3.8	3.8	3.7	3.7	52.3
Miscellaneous..	-	-	-	-	-	-	-	0.2
Aggregate increase in returns of taxation.....	219.8	18.3	-	-	-	-	-	-
TOTAL.....	6 685.1	557.1	485.0	634.8	644.5	625.3	575.1	6 631.9

I. At the end of the eleventh month of the financial year the receipts collected (RM 6 631.9 millions) only fall short of the estimated receipts for the whole financial year (RM 6 685.1 millions) by 53.2 millions. There is therefore every justification for expecting a surplus of approximately 500 millions this year, taking into account tax receipts alone. From the results of the corresponding months of the preceding quarters, the March receipts may be estimated at approximately 500 to 550 millions. The previous figures were 435.3 in June 1926, 544.9 in September 1926 and 567.3 millions in December 1926.

The receipts for February (RM 575.1 millions) which were composed of insignificant provisional payments, exceed the monthly average of estimated receipts for the financial year (557.1 millions) by 18 millions. They are therefore satisfactory. When compared with November, the corresponding month of the previous quarter, they show a reduction of 50.2 millions, due chiefly to smaller returns from the taxes on income, sales, transport, etc. to the extent of 22.6 millions and from the Customs and assigned taxes on consumption to the extent of 26.2 millions.

Table II : RECEIPTS FROM INCOME, SALES, TRANSPORT, Etc.

II. The following table shows in detail the receipts from Taxes on income, sales, transport, etc.

(in millions of RM)

	Estimated receipts		Receipts collected					
	Financial year 1926/27	Monthly average	Financial year 1926/27			Nov. 1926	Feb. 1927	From April 1 1926 to Feb. 28, 1927.
			1st Quarter	2nd Quarter	3rd Quarter			
			Monthly average					
ome Tax								
on wages.....	-	-	83.6	93.2	99.8	97.7	79.8	1 013.3
on income from capital.....	-	-	13.5	5.0	5.5	4.6	3.3	87.0
on other forms of income.....	-	-	59.6	109.4	100.8	71.6	46.9	1 024.6
Together.....	2 100.0	175.0	156.7	207.6	206.1	173.9	130.0	2 125.9
oration Tax...	250.0	20.8	18.1	47.8	32.2	16.8	11.4	371.5
on Real & onal Property.	400.0	33.3	12.1	26.7	34.7	73.8	96.9	329.4
over Tax.....	974.0	81.2	73.2	67.6	72.8	66.5	62.8	804.1
on Bourse ransactions....	50.0	4.2	3.5	6.1	8.5	10.3	12.1	72.9
sport Tax.....	325.0	27.1	25.3	27.8	26.8	26.9	24.4	289.7
r taxes.....	377.0	31.4	30.8	34.2	34.1	30.4	38.4	367.0
TOTAL.....	4 476.0	373.0	319.7	417.8	415.2	398.6	376.0	4 360.5

The tax on wages (RM 79.8 millions) collected on 26 working days (period from January 21 to February 20) shows a decrease of RM 23.9 millions as compared with receipts in January (103.7 millions) and of 17.9 millions as compared with receipts in November (97.7 millions). But the repayments of the sums collected in excess during the preceding year have been deducted from the figures for gross receipts. According to information contained in the Press, these repayments amounted to 8.7 millions in January and 15.5 millions in February. The receipts collected would therefore amount to 112.4 millions in January and to 95.3 millions in February, thus reducing the deficit to 17.4 millions. The February

receipts would therefore only fall short of the receipts of last November by 2.4 million.

Tax on other forms of income and Corporation Tax .- As was the case in November, a provisional payment from agriculturalists on account of these taxes fell due on February 15. It produced 49.6 and 11.4 million Reichsmarks respectively being smaller than that of November (71.6 and 16.8 millions), which had been increased by payments in settlement of 1925 taxation.

Tax on Real and Personal Property. This tax, payment of which fell due on February 15, produced on the other hand 96.9 millions, thus exceeding the November payment by 23.1 millions. The receipts of the first eleven months of the financial year totalled RM 329.4 millions, falling short of the total receipts estimated for the entire year (400 millions) by 70.6 millions. Only arrear payments will be collected in March. We know that in virtue of the Law of March 31, 1926 (see DOC. 182), taxpayers must pay within the financial year 1927-28, an additional tax to cover the difference between the estimated receipts (400 millions) and the receipts collected in 1926-27, once the latter figure shall have been finally established.

Turnover Tax.- After having reached an exceptionally high figure in January (RM 100.7 millions), due to a quarterly payment and trade activity during the Christmas holidays, the receipts fell in February (receipts collected on business done in January) to a figure (62.8 millions) slightly below the November level of 66.5 millions and the December level of 64.1 millions.

Tax on Bourse Transactions.- The proceeds are again very high (12.1 millions), thus exceeding the maximum of 10.3 millions obtained in November 1926.

Transport Tax.- The proceeds of 24.4 millions show a decrease of 2.5 millions as compared with receipts in November (26.9 millions) but still exceed receipts in February 1926 (16.3 millions), which revealed the culminating point of the crisis.

Table III : CUSTOMS AND ASSIGNED REVENUES.

III. The third table shows the receipts from Customs and assigned taxes on consumption.

(in millions of RM)

	Estimated receipts		Receipts collected					
	Financial year 1926/27	Monthly average	Financial year 1926/27			Nov. 1926	Feb. 1927	From April 1 1926 to Feb. 28, 1927.
			1st Quarter	2nd Quarter	3rd Quarter			
			Monthly average					
toms	580.0	48.3	55.3	82.6	78.6	76.6	76.2	846.8
acco Tax.....	655.0	54.6	43.7	56.7	73.3	73.5	59.6	641.6
ar Tax.....	265.0	22.1	18.9	28.5	23.2	29.8	25.7	260.7
r Tax.....	235.0	19.6	21.4	26.0	20.3	20.1	12.5	218.5
ohol Monopoly	172.0	14.3	14.4	16.5	24.0	19.0	18.8	205.4
TOTAL.....	1 907.0	158.9	153.7	210.3	219.4	219.0	192.8	2 173.0

These receipts are still satisfactory. The decrease of 26.2 millions by comparison with November is chiefly due to the smaller returns from the Tobacco Tax (13.9 millions) and from the Beer Tax (7.6 millions).

Customs.- After having reached a very high figure in January last

(120.9 millions) owing to the payment of a half-yearly instalment, receipts fell in February with 76.2 millions to the level of the October and November 1926 receipts of 76.7 and 76.6 millions respectively.

Tobacco Tax.- The receipts were 1.4 millions less in February (59.6 millions) than in January (61.0 millions). The very great falling off in receipts by comparison with November (13.9 millions) is chiefly due to the fact that the supplementary tax (Nachsteuer) has been suppressed since December last (see DOC. 237).

Beer Tax.- Owing to the application of the new system (see DOC.237) the payments in February only refer to payments due for sales effected during the second fortnight of December. The receipts (RM 12.5 millions) are therefore relatively high; the November receipts, which covered the sales of a whole month, only amounted to RM 20.1 millions.

Alcohol Monopoly.- The receipts (RM 18.8 millions) have remained at the same level as in November (19.0 millions).

At the end of the eleven month of the financial year the receipts from Customs and assigned taxes on consumption (RM 2 173.0 millions) already exceeded the amended estimates given when the supplementary budget was submitted (RM 1 997.0 millions), as a result more especially of surpluses derived from Customs.

(signed) L. GAILLET-BILLOTTEAU.

Translation 4251 (from the French): translated CFH: checked NL.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 22, 1927.

ANNUAL REPORT OF THE REICHSBANK FOR THE YEAR 1926.

(see DOC. 187)

Translation of pages 1 to 29 of the German text.

(For Annexes IV to VII see German issue)

The position of the German currency remained satisfactory in every respect during the year 1926 in spite of the economic difficulties which in the early part of the year continued unabated. The Reichsbank again met every demand made to it for gold "Devisen" (foreign exchange) against its own notes or other media of payment, while at the same time it was able to accept without restriction all the devisen offered to it. Up to the present no demand has been addressed to the Reichsbank for actual gold for purposes of foreign payments, but the Bank (it need hardly be said) will not hesitate to make gold available for those purposes if the position of the exchange is such as to make such action necessary.

As regards the economic crisis which came to a head in Germany in the course of the year 1925 the purging process, which has been proceeding ever since the stabilisation of the currency, continued during the year covered by this report. It reached its

highest point in the first four months of the year, after which its severity was gradually relaxed giving place towards the end of the year in various branches of industry to a slight tendency towards revival. That the necessary measures of reorganisation and "rationalisation" and the adaptation of production to existing market possibilities have been carried through with decision and foresight is testimony as a whole to the unbroken vitality of the German people. It is true that a number of circumstances, some temporary, some permanent in character, contributed to help the country over the critical period - the chief among these being the strike of the British miners; other factors operating in the same direction were the continuance of the supply of Germany with foreign credits, and the diminution of valuta dumping on foreign markets as a result of the consolidation of foreign currency conditions and the strengthening of the world's purchasing power. Certain advances were also made during the year in the renewal of European relations, one feature of this tendency being the conclusion of international economic combines. To this list of factors determining the economic situation of the year must be added the reductions of taxation which came into effect in the course of the year, the programme of the Government for providing work for the unemployed and other relief measures, and finally the continual reparation payments financed out of revenue from taxation.

The course of the economic crisis is shown clearly in the figures for the bills returned to drawer (protested bills) received at the Reichsbank in the year 1926. The percentage of

such bills to the total inland bills collected by the Bank was in January 4.25 % (as against an average of 0.72 % in 1913 and 2.23 % in 1925), and fell gradually to 3.07 % in March, 1.57 % in June, 0.91 % in September and 0.82 % in December.

The price which had to be paid for the reform and improvement of the German economic system has not been small; and the figure of over 2 millions (as against 1½ millions at the end of 1925) of unemployed, including unemployed no longer in receipt of relief*, with which the year closed, throws a lurid light on the extent of the difficulties, uncertainties and dangers still remaining. To all who look below the surface the fundamental elements of the situation must seem uncertain in the extreme in spite of all outward signs of progress; for the obscure political position still constitutes a perpetual source of disturbance to business, and the reconstruction of the European economic system, which has been set back by a matter of decades, is still impeded by protectionist trade barriers and the industrial nationalism of old and new states. There can moreover be no question that the free exchange of commodities between nations and the resulting prosperity of the peoples, whose economic interests interlock

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* Unemployment insurance relief in Germany ceases normally at the end of 52 weeks, when the unemployed person, if still without employment, comes upon the Poor Law. A law of 1927 however provides for special emergency relief (Krisenfürsorge) in continuation of the normal 52 weeks.

throughout the world, are held up in increasing degree by the heavy burden of the reparation problem - not the least of the burdens with which the German economy has to contend - and by the payments and deliveries on this account which Germany is compelled to make to the rest of the world not in the free working of economic incentives but for political reasons.

The development of the business situation described placed the Reichsbank once again before difficult and responsible tasks and decisions in regard to credit and discount policy. The first efforts of the Bank were still of necessity directed to supporting the tendency (which was beginning to make headway in the market) towards continued reduction of the interest level, and to facilitating the increased supply of capital so as to stimulate as much as possible the activities of agriculture, industry and trade. When at the beginning of 1926 it became possible definitively to dispense with the emergency measures of the credit rationing phase, the Reichsbank immediately proceeded to reduce its interest rates by stages graduated in relation to the position of the market. On January 12 the discount rate was lowered to 8 per cent, on March 27 to 7 per cent, on June 7 to 6½ and on July 6 to 6 per cent. The rate for loans was reduced in the course of the year from 11 to 7 per cent, and the rate for Golddiskontbank credits from 6 to 5 per cent. The charges of the private banks and other money lending institutions for interest and commissions followed suit, in some cases only under pressure from the Reichsbank, which negotiated for the purpose with the local banks and central organisations of the

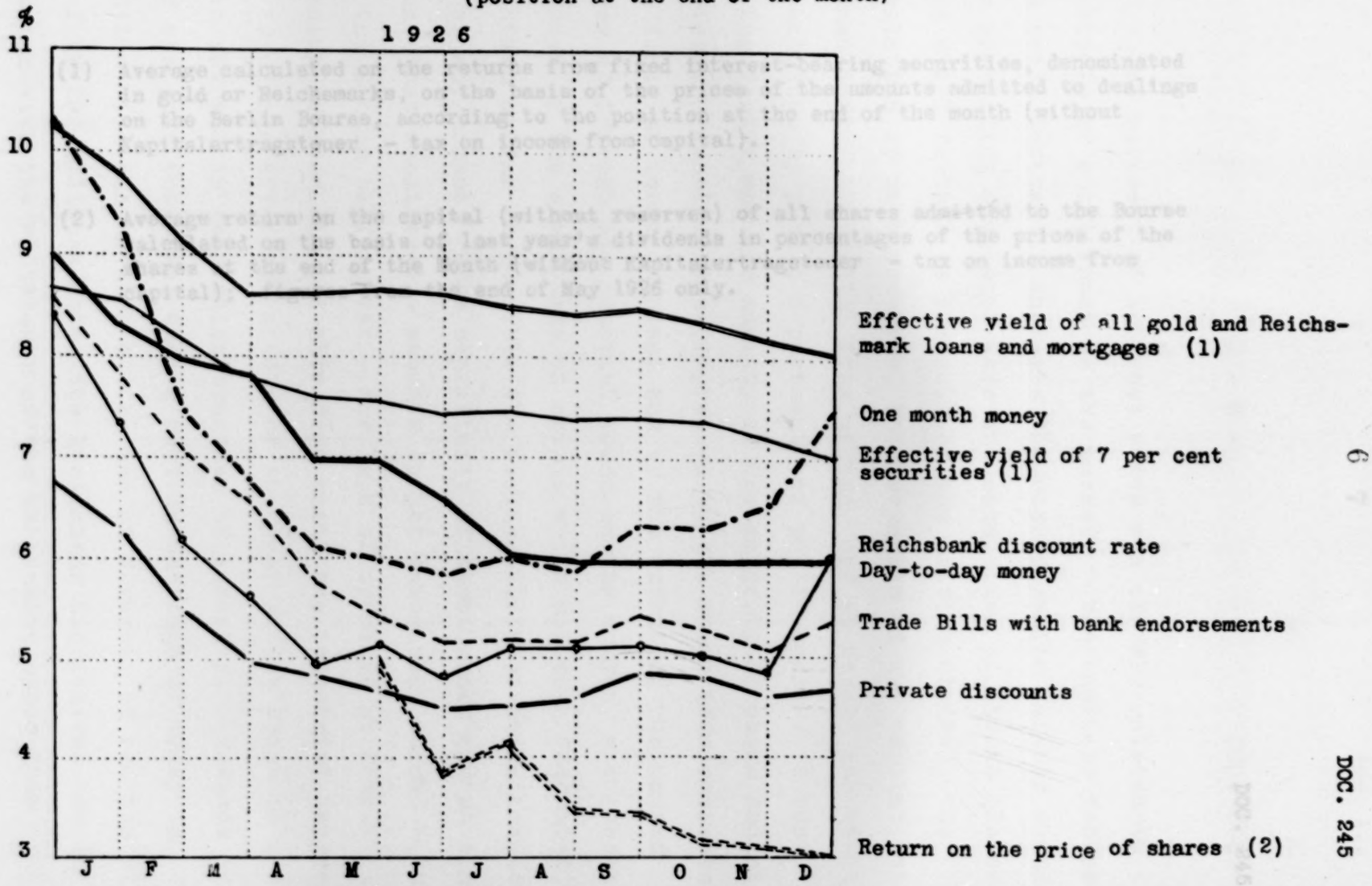
parties concerned. The money rates of the open market, which throughout 1925 had remained in touch with the bank rate, fell rapidly in the course of 1926 and remained (with the exception of the rate for one month money) for the time being at a tolerably low level: see accompanying graph.

At the same time the rates for long term credits began to decline. As the curve shown on the accompanying graph for the effective yield of loan and mortgage investments indicates, the return on these securities in the first quarter of the year fell within a few weeks by some 1/6th. The fall continued, though on a slower scale, throughout the year. A similar reduction took place in other regular forms of return from capital. At the same time the still considerable margin between the rates of the money market and those of the capital market shows that it was not found possible in the course of 1926 completely to eliminate the difficulties hitherto standing in the way of the distribution in sound proportions of the available funds between the short and long term credit markets. The following are the average figures for the

	In the year 1913	In the fourth quarter of 1926
Rate for day-to-day money . .	4.12	5.30
Private discounts	4.98	4.73
Reichsbank discounts	5.88	6.00
Effective yield of mortgages and loans (about)	4.50	8.20
Return on shares	3.97	3.11

MOVEMENT OF THE REICHSBANK DISCOUNT RATE

and of the rates for day-to-day money, one month money, private discounts, trade bills with bank endorsements on the Berlin Bourse (monthly averages), and effective yield of (a) fixed interest-bearing securities and (b) shares - calculated on the price of the shares - (position at the end of the month)



(1) and (2) see following page.

(1) Average calculated on the returns from fixed interest-bearing securities, denominated in gold or Reichsmarks, on the basis of the prices of the amounts admitted to dealings on the Berlin Bourse, according to the position at the end of the month (without Kapitalertragsteuer - tax on income from capital).

(2) Average return on the capital (without reserves) of all shares admitted to the Bourse calculated on the basis of last year's dividends in percentages of the prices of the shares at the end of the Month (without Kapitalertragsteuer - tax on income from capital); figures from the end of May 1926 only.

The movement of interest rates was closely related to the ample supply of short money on the market. The business depression helped still further to increase the supply, while further sources of the prevailing abundance were the exhaustion of stocks (later carried still further as a result of the British strike), the accummulation of cash reserves, the formation of new capital, the continued influx of capital from abroad, and above all the still large holdings by public departments of public monies. A contributing factor was the anxiety of the majority of banks and other money-lending institutions (impressed by the short term character of the funds at their disposal and by the extent of the unused portions of foreign and internal loans on the market, and generally influenced by the atmosphere of crisis which has been described) to maintain as far as possible the realisability of their investments at any moment. The superfluity of short money was at times so great that considerable amounts sought investment abroad - chiefly in the London bill market - for lack of openings at home. The cheapening process did not slow down until the industrial depression began to change after the middle of the year giving place to a certain revival in particular branches of industry. Towards the end of the year there was even a certain shortage of money in connection with the raising at the end of November of the instalment of RM 293 millions under the Rentenbank Liquidation Law in connection with the withdrawal of the Rentenmark notes from circulation.

On the long term capital market the tendency, latent but

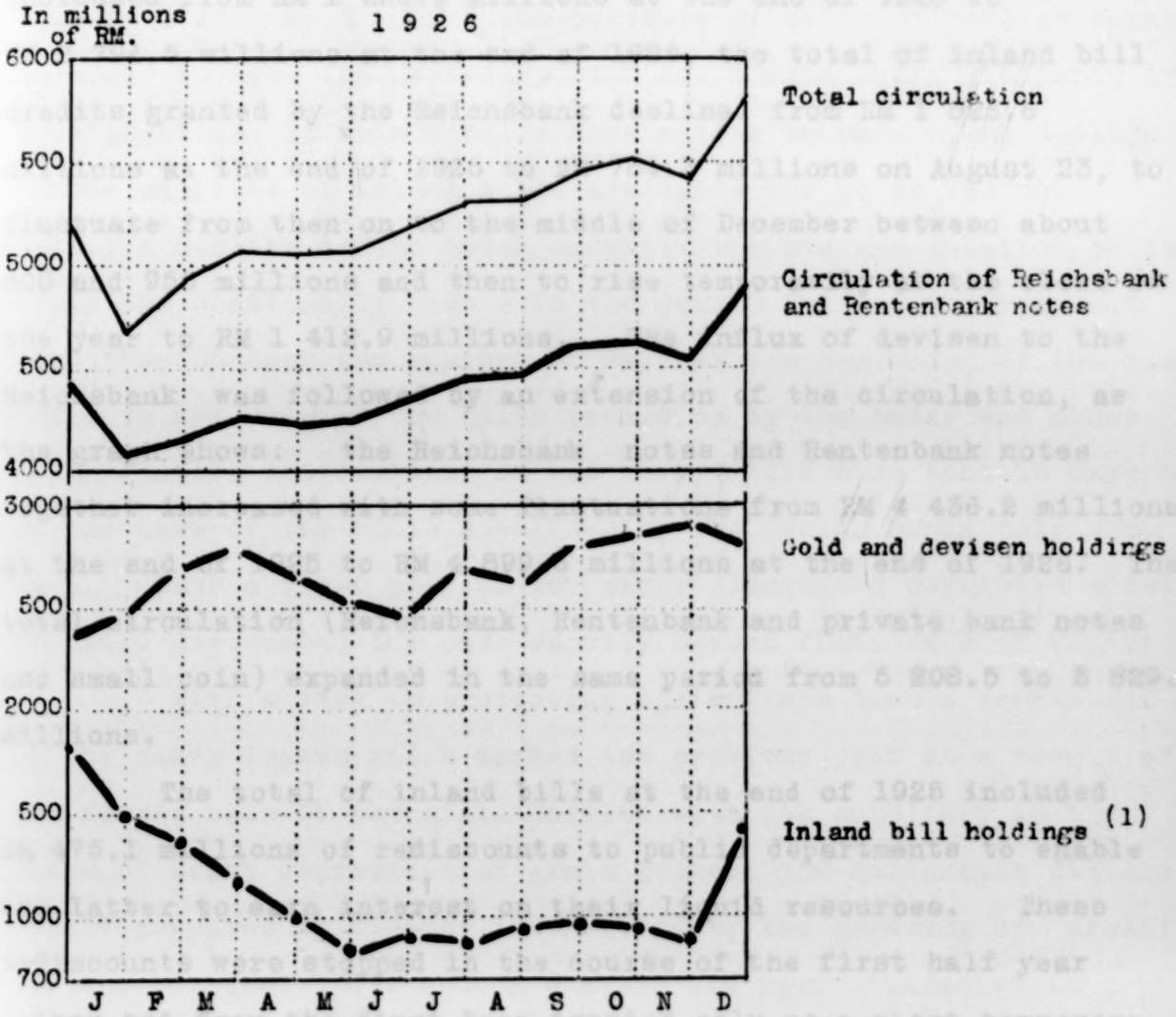
unmistakeable, to a reversal of the prevailing stringency was awaked to life by the action of the Reichsbank at the critical moment at the beginning of the year in systematically buying up Pfandbriefe, for its own and other account, and by the action of the Golddiskontbank in taking up mortgage bonds which was indicated as impending in last year's report and to which there will be occasion to refer again. The relaxation of the capital market thereupon continued to make progress. Capital issues displayed an activity which had hardly been expected; and even foreign capital was attracted to no small extent to the German securities market. In spite of the considerable increase of capital issues the real capacity of absorption of the German capital market and the effective formation of new capital should not be exaggerated, particularly as the reparation payments under the Dawes Plan regularly absorb a considerable part of the accumulated savings of the country. Large amounts of the sums subscribed to new issues or invested in securities changing hands on the Bourse are not to be regarded as permanently invested capital so much as temporarily unemployed money invested provisionally in the hope of speculative profits or higher interest returns. The situation in the capital market under the influence of the abundance on the money market during the year under review should not at any rate obscure the necessity for economical employment of the long term capital available for business purposes, especially as experience shows that the capital demands of the Federal States, Communes and other public bodies are very large and it will not be possible

always to reckon on the once indispensable support of foreign capital. That the present situation is still a long way from representing a sound and consolidated disposition of existing resources is strikingly shown by the changes noted above in the yield of shares and fixed interest-bearing securities when compared with the pre-war figures. Whereas in 1913 the yield on capital invested in fixed interest-bearing securities was some ½ per cent above the yield of shares (as calculated on the price of the shares), which was then about 4 per cent, the margin at the end of 1926 is in the neighbourhood of 5 per cent, the yield on shares being about 3 per cent and the yield on fixed interest-bearing securities about 8 per cent. Although therefore the yield on shares was considerably below 1913, the average price level of shares was already somewhat above that at the end of 1913.

The course of events in the money and capital markets meant an increasing restriction of the Reichsbank's discount of inland bills. The continued abundant influx of foreign credits meant that more devisen were presented to the Bank than bills for discount. The accompanying graph shows the divergence, particularly noticeable in the early months of the year, between the figures of the inland bill portfolio and those of the gold and devisen holdings of the Bank.

Even the improvement, which began in the last quarter of the year, and might have been expected to contract the market, made no difference to the position. It was not until December that the demands on the Bank for bill and loan credits, coupled with the temporary stringency of the market to which reference has been made, assumed for the time increased dimensions.

Movements of the Reichsbank's gold and devisen holdings and of its holdings of inland bills, and of the circulation of Reichsbank and Rentenbank notes, and of the total circulation (position at the end of the month).



(1) Including down to the end of May 1926 the bills rediscounted by the Reichsbank.

Whereas the gold and devisen holdings of the Reichsbank increased from RM 2 230.6 millions at the end of 1925 to RM 2 794.5 millions at the end of 1926, the total of inland bill credits granted by the Reichsbank declined from RM 1 826.6 millions at the end of 1925 to RM 784.3 millions on August 23, to fluctuate from then on to the middle of December between about 800 and 950 millions and then to rise temporarily at the close of the year to RM 1 412.9 millions. The influx of devisen to the Reichsbank was followed by an extension of the circulation, as the graph shows: the Reichsbank notes and Rentenbank notes together increased with some fluctuations from RM 4 436.2 millions at the end of 1925 to RM 4 899.6 millions at the end of 1926. The total circulation (Reichsbank, Rentenbank and private bank notes and small coin) expanded in the same period from 5 208.5 to 5 829.8 millions.

The total of inland bills at the end of 1925 included RM 473.1 millions of rediscounts to public departments to enable the latter to earn interest on their liquid resources. These rediscounts were stopped in the course of the first half year - they had from the first been treated only as a short temporary measure - partly because the cash reserves of the public departments concerned declined, and also because with the reduction in the holding of inland bills that portion of the note cover, which under § 28 b of the Bank Law has to be held in bills and cheques, at the end of certain months approached the legal limit. In addition the Reichsbank was compelled to use a considerable amount

of the devisen which it received - apart from those which it converted into gold - for the purchase of bills on foreign markets, in order to have the necessary bill and cheque cover available in foreign bills, if inland bills were not to be had. The decline in the supplies of inland bills available for cover was not merely a decline in the total amount: the average duration of the bills was continually less - in the second half of the year not more than 30 days (as against 38 days at the beginning of the year), while in the case of the bills passed on by the banks and other money lending institutions it was very little more than 22 days and in the case of the bills submitted by the Berlin banks only some 13 days. Thus a great part of the paper discounted consisted merely of bills discounted for cash shortly before their date of expiry.

With a view to protecting agriculture from a repetition of the heavy losses which marked the previous year as a result of the forced sale of the grain harvest with its corollary in the shape of heavy depression of grain prices, the Reichsbank declared itself prepared to finance the harvest by the granting of credits for the purpose. Its action enabled the agriculturalist to obtain loans on the security of his grain from the agricultural co-operative banks at six months: the bills obtained by the co-operatives in return for these advances were passed on by them to the Preussenkasse (Central bank of Prussian co-operative societies), to which the Reichsbank accorded extensive facilities for re-discount. The cheapness of money on the money market enabled the co-operatives in a number of cases to extend and prolong these

credits out of their own resources; the supply of credits to agriculture further improved during the year; and the upward movement of grain prices coupled with various measures of the Reich to relieve the situation of agriculture produced such an improvement in comparison with the previous year that no calls were made on the Reichsbank in this connection except for trifling amounts.

Another step of great value to the agriculturalist was the purchase of agricultural Pfandbriefe or short-term mortgage bonds, which the Reichsbank effected in the course of the year out of its pension fund to the amount of RM 55.3 millions, and on behalf of various public undertakings and enterprises to the amount of RM 113.8 millions nominal. These purchases contributed appreciably to the revival of the mortgage market. The tendency to revival was strengthened by the action of the Golddiskontbank in announcing its willingness to take over long-term agricultural mortgage bonds (Hypothekarschuldscheine) of the Rentenbank-Kreditanstalt at a rate of interest (7 per cent on payment at par) well below the customary rate at the time, and with a duration of three to five years. The placing of these mortgage bonds not only helped to promote the cheapening of interest rates in the mortgage market: it also by providing a form of interim credits at short-term made it possible to postpone the final satisfaction of the essentially long-term credit requirements of agriculture to a time when there would be every prospect that the progressive formation of capital would provide much more normal rates such as the agriculturalist would be in a position permanently to support.

The possibility of attracting foreign capital to finance these interim credits was rejected on monetary grounds. The distribution of the credit to the farmer was carried out through the agency of the various private and public mortgage institutions, which made the money available to the ultimate recipients at a little over 7½ per cent. The actual granting of the credits unfortunately was subject in many cases to serious delay owing to the overburdening of the offices of the Land Register, which were not always able to complete the registration of the various claims in good time owing to the difficulties and burden of work imposed upon them by the revalorisation legislation. At the close of the year there had been issued altogether RM 300 millions of mortgage bonds, of which RM 220.7 millions were held by the Golddiskontbank.

In this connection it is worth noting that the maximum limits for borrowing on loan from the Reichsbank on the collateral of Reichsmark and gold mark Pfandbriefe were raised in quick succession from 50 to 66 2/3 and subsequently to 75 per cent of the collateral, while the list of securities admissible as collateral was considerably extended.

The relation between the supply and demand of money was further largely affected by the two problems with which the Reichsbank had been vitally concerned in previous years - namely (a) the scattering, concealment and mal-administration of the so-called public monies, and (b) the excessive recourse to foreign credit - both of which practices represented main sources

for the unnatural and exaggerated abundance of the money market. The public monies in the narrower sense of the word, that is to say the funds at the disposal of the Reich, the Federal States and the Communes, as also the revenue of departments of the Reich such as the Posts and Railway, and the funds accumulated as a result of social legislation, have been since the stabilisation very large in amount. They have constituted to a great extent the money market's source of supply and have diminished pro tanto the possibility of viewing the market as a whole. In many cases the administration of these funds has been devoted to purely private ends of investment for profits. It is regrettable that under the pressure of circumstances the great public undertakings such as the Railway and the Posts have been made financially independent of the Reich and have so been compelled to keep and maintain separate cash and working reserves. Before the war these monies were administered on an admirable system of interlocking of the various receiving offices, being centralised in the Reichshauptkasse or the central Kassen of the various States, in such a way that it was possible to do with very narrow reserves. To-day on the other hand there is a chain of funds and organisations for payment with scarcely any connection between the various links. Centralisation of the funds and of the office work on lines analagous to those which prevailed before the war would not merely simplify and rationalise the management of this money and eliminate the intolerable features which at present characterise the position, but would also tend to limit the accumulation of such sums altogether and so provide additional resources for the financing of

the country's production. In particular it is desirable that the cash reserves of the public departments of the Reich should in principle pass into the hands of the Reichshauptkasse which is administered by the Reichsbank for the Reich, by way of the local branches of the Reichsbank. Steady influxes from such great sources of supply as the Revenue Offices of the Finance Administration and the public undertakings have the general effect of reducing the note circulation and so increasing the power of action of the note issue bank. So regarded, the concentration of public reserves in the form of Giro balances of the Reichsbank does not imply, as it is often erroneously supposed to do, centralised investment of the money on the Berlin market: on the contrary the most extensive decentralisation of the funds, through the network of branches of the Reichsbank which covers the entire Reich, is assured.

If the finance administration is to be relieved (as far as possible) of the burden of maintaining large working funds of its own, it must on the other hand be given the means of raising temporary working credits in case of need. The provision in § 25 of the Bank Law enabling the Reichsbank to give working credits to the Reich is insufficient in view of the limitation to a maximum of not more than RM 100 millions. The Reichsbank accordingly put forward the suggestion that the Reich should once again issue Treasury bills as required in the open market. To assist the market to absorb these bills, the Bank agreed to accept them in limited amounts for rediscount. The Law in amendment of the Bank

Law of July 8 1926 (Reichsgesetzblatt II page 355) made it possible for Treasury bills issued by the Reich, with not more than three months to run and with one backer in addition to the Reich of approved solvency, to be accepted for discount in accordance with the provisions of § 21 2 a, or as collateral for loans in accordance with § 21 3 g. The total amount of Treasury bills discounted or deposited as collateral for loans must not exceed altogether RM 400 millions. No practical effect was given to this regulation in the year under report.

As regards foreign credits, the Reichsbank felt impelled as in the previous year to utter a serious warning against the rate and measure of the increase of the national indebtedness to foreign countries, and to take every step which was possible without injury to legitimate German business interests to put a check on exaggerated and precipitate recourse to the foreign credit market. Altogether German loans to a nominal value of nearly RM 1¾ milliards were raised abroad during the year under discussion (as against some 1¼ milliards in 1925). Of this total, public loans (i.e. loans of Federal States and Communes or loans with a Federal State or communal guarantee) accounted for about RM 600 millions (as against about 500 millions in 1925). Of the short-term credit transactions with foreign countries, which accompanied this long-term borrowing, it is not possible to give figures.

Apart from the regrettable effects in the monetary and economic sphere, the excessive recourse to foreign borrowing has

also repercussions in the sphere of reparation policy. Transfer devisen, which are derived only from foreign borrowing, cannot be regarded as the economic surplus which the Dawes Plan contemplates as the basis for the reparation payments (Experts' Report I, V). The gold and devisen holdings of the Reichsbank in particular, in so far as they are derived from foreign borrowing and not from the country's economic surplus, do not permit of any conclusions as to the country's ability to transfer. The cessation of foreign credits in the early months of 1927 and the big falling off in the devisen holdings of the Reichsbank which resulted confirm this view.

The gold and devisen policy of the Reichsbank has naturally been influenced largely by the position in regard to the foreign credits. The movements of the gold and devisen holdings are shown on page 11. The increase is due entirely to the gold holding, which rose from RM 1208.1 millions at the beginning of the year to RM 1831.4 millions, whereas the devisen holding remained approximately at the same figure as at the end of 1925 (it was shown in the balance sheet at the end of 1925 as RM 1022.5 millions, and is at the end of 1926 RM 963.1 millions). In accordance with the principles set out in the preceding year's Report the Reichsbank has been at pains to provide the gold and devisen cover prescribed in the Bank Law not only for its own notes but also for the Rentenbank notes in circulation on grounds of currency policy.

The policy which the Reichsbank had previously regarded as necessary of making the Reichsmark rigidly dependent on the

currency of the United States of America by pegging the rate for the purchase and sale of dollars at RM 4.20 to the dollar was abandoned on August 23 1926. The rate of the Reichsmark thereupon became independent of the dollar rate: and with some fluctuation between the two gold points it maintained a slight premium as against the dollar down to October, while in the weeks which followed down to the end of the year its movements were slightly below dollar parity. Such legislative regulations of foreign exchange dealing as still remained in existence had already been cancelled by decree of May 1 1926 (Reichsgesetzblatt I, page 217). Those that still remained (in connection with the so-called "devisen banks" which alone were entitled to deal in devisen) have since then also been abolished by decree of February 22 1927 (Reichsgesetzblatt I page 68).

Towards the end of the year the Reichsbank introduced a system of international Giro clearing with foreign banks of issue, permitting of direct transfer of sums of money between the Reichsbank and its branches and those of the foreign issue banks. By the end of the year agreement had been reached for the introduction of the system with the national banks of Austria, Czecho-Slovakia, Hungary and Switzerland and the Bank of Dantzig. The system came into operation at the beginning of 1927: next year's Report will discuss the experience gained with the operation of the system and the possibilities of its further extension.

The gold imports, which took place in connection with the imports of capital into Germany, totalled RM 586.3 millions in

the year 1926 which, after deduction of a small export of 9.7 millions, left a balance of RM 576.6 millions imported during the year. Of this total some RM 546 millions were for the Reichsbank; and of this total RM 274.2 millions came from the gold holdings abroad, to which the Bank has been in the habit of remitting in the first instance such gold credits as it acquires in the countries concerned, while the greater part of the rest was derived directly from the arbitrage dealers. Arbitrage purchases have played an important part, particularly in the last five months of the year: the weakness of the sterling rate during this period frequently brought the English pound down to the German gold export point, so that it was profitable to export gold from England.

Total transactions

The total transactions of the Reichsbank for 1926 amounted according to Annex I to

			1925
Reichsbank - Head Office	RM 327 297 766 100	(RM 255 885 347 500)
" Branches	299 625 902 700	(" 318 633 768 900)
Total	RM 626 923 668 800	(RM 574 519 116 400)

Gold reserve

The gold reserve of the Reichsbank without charge amounted to the following :

	Total	of which there was deposited abroad
As at December 31 1925	RM 1 208 074 412.76	RM 96 601 462.94
As at December 31 1926	" 1 831 383 722.29	" 170 280 306.91

As in the preceding year, the gold reserve continued to increase practically without a break during the year under report; the highest figure was that of the end of the year. It was composed at December 31 1926 of bullion and foreign gold coins amounting to RM 1 279 642 392.29 (1925: RM 658 939 732.76), calculated at the rate of one pound of fine gold = RM 1 392.

During the year under report RM 622 725 931.47 worth of bullion and foreign gold coins were purchased, and smaller quantities of gold were received in the course of transactions in Germany.

Gold amounting to RM 1 117 619.84 was distributed for industrial purposes.

Foreign exchange (devisen) employed as note cover

According to § 28 of the Bank Law of August 30 1924, devisen may be employed as gold cover for the bank notes in circulation. The following devisen holdings of the Bank were earmarked as cover for this purpose :

As at December 31 1925	RM 402 534 000
As at December 31 1926	" 519 168 000

Silver holding

The Reichsbank had the following quantities of silver coin and silver bars which had been withdrawn from circulation :

As at January 1 1926	RM 3 618 960.24	1925 :
Purchased during the year	" 8 529 259.62	(RM 4 802 134.42)
Total . .	RM 12 158 219.86	
Sold during the year	" 11 482 939.18	(" 1 950 130.52)
So that the reserve held by the Bank on December 31 1926 amounted to	RM 675 280.68	

To correspond with the fall in the price of silver, the purchase price of silver coins withdrawn from circulation was reduced as from October 1 to RM 0.35 per silver mark as against the previous price of RM 0.40.

Stock of small coins

At the end of the year under report the coffers of the Reichsbank contained RM 85 990 713.24 as against RM 62 469 236.43 at the end of the preceding year. The highest figure was reached on November 23 1926 with RM 134 566 000. The stocks have continued to be extremely large; the further increase was chiefly due to the return of 50 pfennig pieces of the Reich withdrawn from circulation. The undesired increase in the stocks held by the Reichsbank caused the latter to negotiate counter-measures with the revenue authorities of the Reich. The number of small coins in circulation at the end of the year (exclusive of the Reichsbank stocks) amounted to RM 749.6 millions as against RM 582 millions at the end of 1925.

Stock of Rentenbank notes

The holdings of Rentenbank notes amounted

as at December 31 1925 to RM 133 041 451
as at December 31 1926 to RM 7 408 115

The lowest amount held was that of the end of the year; the highest amount held was RM 572 353 000 on April 23 1926.

Rentenbank notes to the value of RM 1164 millions (end of 1925: RM 1 475.7 millions) were in circulation at the close of the year, exclusive of the notes held at the Reichsbank.

Investments in bills

According to the weekly returns of the Bank, the bill holdings were as follows:

as at December 31 1925 RM 1 914 780 000
as at December 31 1926 RM 1 828 587 000

The statements of the Bank contained in Annex VI show the development of the bill portfolio during 1926. The proportion to the total holdings of the bills with two signatures eligible for discount in conformity with § 21 figure 2 of the Bank Law was 8.5 per cent on December 31 1926 as against 11.7 per cent at the end of the previous year. Treasury bills of the Reich were not discounted during the year under report in conformity with § 21 figure 2a of the Bank Law.

The following detailed information can be given with regard to the bill holding :

a) Inland bills and cheques

Inland bills and cheques purchased during 1926 (excluding those taken over from the Golddiskontbank) :

1 821 112	Town bills and cheques (Platzwechsel und-Schecks) for . .	RM 2 604 914 360.28
(in 1925: 2 500 099)	(in 1925:	" 4 791 731 134.27)
7 213 422	Country bills and cheques for collection (Versand- und Einzugswechsel und- Schecks) for	" 7 435 514 176.52
(in 1925: 8 920 281)	(in 1925:	"12 486 255 202.06)
9 034 534	Total for .	RM 10 040 428 536.80

The following were withdrawn :

1 876 362	Town bills and cheques for	RM 2 289 473 863.73
(in 1925: 2 477 300)	(in 1925:	" 4 788 646 649.69)
7 517 864	Country bills and cheques for collection for	" 7 731 350 317.09
(in 1925: 8 511 036)	(in 1925:	" 12 567 076 082.30)
9 394 226	Total for . . .	RM 10 020 824 180.82

294 909 cheques on Germany were purchased for RM 134 181 439.08 (1925: 474 428 cheques for RM 164 115 962.50).

On December 31 1926 the holdings of inland bills and cheques amounted to RM 1 348 634 874.61 (end of 1925 : RM 1 329 030 518.63).

The average amount of town bills purchased was RM 1 436 (1913: marks 3 049), and that of the town cheques RM 517 (1913: marks 1 493). The average maturity of the town bills purchased was 54 days (1913: 41 days). The number of town bills of RM 100 and smaller amounts purchased was 141 285 (1913: 106 800).

The average amount of country bills purchased was RM 1 054 (1913: marks 1 827), and that of the country cheques RM 453 (1913: marks 1 801). The average maturity of the country bills purchased was 26 days (1913: 21 days). The number of country bills of RM 100 and smaller amounts purchased was 1 100 914 (1913: 642 987).

b) Bills taken over from the Golddiskontbank

Of the bills taken over from the Golddiskontbank there were holdings on January 1 1926 amounting to . . . . . RM 24 406 047.70

and purchases amounted to . . . . . " 276 603 262.71

(1925 : RM 106 468 985.04)

RM 301 009 310.41

of which there were negotiated . . . . " 236 746 935.91

(1925 : RM 84 139 312.34)

so that the Reichsbank holdings of Golddiskontbank bills at December 31 1926 amounted in value to . . . RM 64 362 374.50

c) Foreign bills and cheques

The holdings of foreign bills and cheques amounted on January 1 1926 to:

27 409 RM 543 655 522.20 1925

863 351 were bought " 5 592 100 483.32 (RM 3 257 333 549.31)

890 760 RM 6 135 756 005.52

869 736 negotiated " 5 711 170 961.17 (RM 2 883 210 067.33)

so that 21 024 of a value of RM 424 585 044.35

remained on December 31 1926.

d) Total purchases of bills and cheques

The total for all bills and cheques purchased during the year under report is as follows :

Inland bills and cheques	RM 10 040 428 536.80
Foreign bills and cheques	" 5 592 100 483.32
Golddiskontbank bills . .	" 276 603 262.71
Total . .	RM 15 909 132 282.83
(1925 :	RM 20 641 838 870.68)

e) Bills and cheques not redeemed when due

The following bills and cheques were returned to the seller owing to failure to redeem, or were settled by intervention : 505 960 (1925: 644 845) for RM 194 999 960 (1925: RM 400 109 666).

These bills and cheques represent the following percentages of the total number presented for collection:

of the number	of the value
5.38 %	1 87 %
(1925: 5.86 %)	(1925: 2.23 %)

The documents returned to the sellers or regulated by intervention included the following cheques : 1 203 (1925: 3 118) cheques for RM 433 285 (1925: RM 1 083 401).

Collection of customers' orders

Customers' orders amounting to 243 146 in number (1925: 281 315) and for a value of RM 2 191 072 148.61 (1925: RM 3 142 056 611.69) on banking and other places were collected.

Charges to the amount of RM 383 922.06 (1925: RM 361 967.27) were made therefor.

The average amount of the orders worked out at RM 9 011 (1925: RM 11 169).

Collection of reparation vouchers and drafts

The collection, for which the Reichsbank has assumed responsibility, of the Reparation vouchers and drafts which the Agent General for Reparation Payments is due to redeem, and the remission of the proceeds to the persons handing in the vouchers, was effected as follows:

1926 :	753	Reparation vouchers for	RM 233 586 337.61
	12 258	Reparation drafts for	" 355 885 248.44
	13 011	Reparation payments for	RM 589 471 586.05

as against

1925:	2 296	Reparation vouchers for	RM 338 239 522.36
	2 621	Reparation drafts for	" 121 126 524.46
	4 917	Reparation payments for	RM 459 366 046.82

The rise in the number of Reparation drafts and the fall in the number of Reparation vouchers is due to the fact that the former large compulsory deliveries made by trusts and associations of producers and paid for by Reparation vouchers have been in many cases replaced by smaller deliveries of individual firms, which have been executed in virtue of "free" contracts and paid separately through the medium of Reparation drafts. Deliveries of coal and coke are also now paid by Reparation drafts, and are no longer subject to the former procedure.

The total amount has increased owing to the increase of the annuity.

The amounts directly assigned by the Agent General for Reparation Payments for certain definite deliveries in kind (for example transport transactions), payments in respect of the Recovery Acts, the service of the External Loan and other transactions effected for the Agent General in virtue of the provisions of the Bank Law are not included in the above amounts.

Loans against collateral

The following loans against collateral (Lombards) were recorded :

On January 1 1926	RM	10 286 172	1925 :
47 456 new loans	"	4 672 660 200	(RM 4 128 170 900)
	RM	4 682 946 372	
39 837 loans repaid	RM	4 598 868 072	(RM 4 134 844 928)
leaving on December 31 1926	RM	84 278 300	

The number of collateral certificates (Pfandscheine) was :

On January 1 1926	1 031 certificates	1925 :
to which were added	1 456 "	(1 069 certificates)
making . . .	2 487 certificates	
of which there were paid off	697 "	(596 ")
leaving as at December 31 1926	1 790 certificates	

Profits on loan business amounted to RM 2 021 829.39.

The fluctuation in the demand for loans against collateral may be seen from Annex VI.

The collateral in the case of the loans outstanding at the end of the year was as follows :

			1925 :
Gold and silver	RM	1 200	(RM 400)
Securities	"	41 489 900	(" 1 445 400)
Bills	"	41 142 000	(" 8 454 272)
Goods	"	1 136 900	(" 386 100)
Long-term bonds of the Reich	"	308 300	(" -)
Treasury bills of the Reich	"	-	

Reichsbank rate

The Bank rates of interest were:

	for discounts	for loans
From January 1 1926 to January 11 1926	9 %	11 %
from January 12 1926 to February 25 1926	8 %	10 %
from February 26 1926 to March 26 1926	8 %	9 %
from March 27 1926 to June 6 1926	7 %	8 %
from June 7 1926 to July 5 1926	6½ %	7½ %
from July 6 1926 to December 31 1926	6 %	7 %

making an average for the whole year of 6.743 per cent for discounts and 7.896 per cent for loans as against 9.153 per cent and 11.153 per cent in the preceding year.

Doubtful claims

The balance sheet shows RM 14 904 311.10 of claims fallen due but unpaid at the date of December 31 1926. (The corresponding figure for the end of 1925 was RM 14 994 384.90).

Securities owned by the Reichsbank

The Bank's own holdings of securities amounted on December 31 1926 to RM 91 011 004.24 (as compared with RM 230 870 242 at the end of 1925).

Profits on the same were RM 78 641.65.

The decrease in the holdings is due to the redemption of the dollar Treasury bonds of the Reich: the Reichsbank already held the greater part of the total amount due for redemption (RM 234.1 millions). The Reichsbank assumed the liability to redeem these bonds out of its own funds, in return for the granting of its currency monopoly for fifty years, at the time when the new Bank Law was being drafted. The 1924 balance sheet accordingly ear-marked the amount

required for this purpose, and this amount has now been used to redeem the Bonds.

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To procure funds for productive investments the Postal Administration of the Reich issued RM 150 000 000 worth of 6½ per cent Treasury Bonds, repayable in 1930, during the year under report. After RM 20 000 000 worth of these bonds had been placed by the Postal Administration, a syndicate was formed in April 1926 under the leadership of the Reichsbank to take over a further RM 50 000 000 of the 6½ per cent bonds which were placed by public subscription with the option of further instalments to follow. The profits accruing to the Reichsbank as a result of its participation in this syndicate amounted to RM 22 121.21.

The remainder of the Bonds (Series II) to a total of RM 80 000 000 were issued in July to another syndicate also headed by the Reichsbank. The profits of the Bank on this transaction amounted to RM 22 329.71.

The example of the Postal Administration was followed by the German Railway Company which issued 150 000 000 gold marks of its preference shares Series IV on the capital market. The Reichsbank, as Trustee, assumed the administration and custody of these preference shares and issued in their stead certificates in the name of the bearer. After 50 million gold marks of the total amount had been issued by the Railway, a syndicate under the leadership of the Reichsbank took over in June of the year

under report certificates for 100 million gold marks of preference shares Series IV of the German Railway Company and offered them for public subscription. The Reichsbank derived profits from its participation in this transaction amounting to RM 62 902.80.

The Reichsbank introduced the certificates to the Berlin Bourse and to a number of provincial bourses during the year under report.

Heavy calls were made on the time of the Reichsbank in connection with its cooperation in the work of liquidating the "old" holdings in Reich loans during the year under report. Although the time limit for submitting claims by "old" holders lapsed in the spring of 1926, the work of the Reichsbank in distributing the stock of the new Loan Liquidation Debt and the Drawing Certificates was by no means concluded in 1926. The Reichsbank only receives payment of its out-of-pocket expenditure on this business.

The Reichsbank continued to be occupied during 1926 as paying agent with the service of the 7 per cent German External Loan issued in 1924.

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Credit balances with correspondents of the Bank were:

			1925:
On January 1 1926	RM	477 347 574.12	
remittances	"	11 347 761 214.47	(RM 9 068 454 483.10)
	RM	11 825 108 788.59	
of which there were collected	"	11 288 114 599.37	(" 9 724 304 081.07)
leaving on December 31 1926	RM	536 994 189.22	

The turnover in business done with foreign correspondents represented the greater part of the turnover of the Bank in Devisen, the total amount of which (excluding transactions in foreign banknotes) was RM 33.9 milliards (as against RM 24.9 milliards in 1925). See Annex I.

At the close of the year the Reichsbank held foreign bank notes to the value of RM 1 504 047.93 as compared with RM 1 478 823.63 at the beginning of the year.

The turnover of foreign bank notes (see Annex I) totalled RM 414.6 millions (as compared with RM 495.6 millions in 1925). It was mostly in respect of francs received and issued in the branch offices in the Saar.

The claim of the Reichsbank on the Reich under the Agreement between the two (see Report for 1924 page 12) is reduced by repayment of the annual amount to sinking fund, and is shown in the balance sheet as RM 136 422 480.86 (1925: RM 145 591 990.86).

As the payment of the sums owing to the Reichsbank under § 11,4 of the Rentenbank Liquidation Law (Reichsgesetzblatt 1924 II page 252) is postponed under an agreement concluded between the Reich, the Rentenbank and the Reichsbank until such time as the transfers to the Sinking Fund are completed, the amount accumulated by the end of the year under report, viz. RM 61 193 664.98 (1925: RM 36 921 813.15) is shown in the balance sheet as "Postponed Claim on the Rentenbank".

Reichsbank notes in circulation

The circulation of Reichsbank notes according to the Weekly Returns was:

on December 31 1925 RM 2 960 443 000

on December 31 1926 RM 3 735 526 000

The highest figure reached was that at the end of the year, the lowest figure being RM 2 317 268 000 on February 23 1926; RM 2 885 828 000 were on an average in circulation during the year under report. The movements of the circulation from week to week are shown in Annex VI.

An analysis of the note circulation shows the following position.

In circulation on (in millions of RM)

	RM 1000	RM 100	RM 50	RM 20	RM 10	Total circulation in millions of RM.
Dec. 31 1925	88.8	460.8	681.8	1 041.4	687.6	2 960.4
Dec. 31 1926	144.5	714.4	1 063.0	1 006.4	807.2	3 735.5

The note cover prescribed in § 28 of the Bank Law was

on December 31 1925 40.8 % (gold) 54.4 % (gold and Devisen)

on December 31 1926 49.0 % (") 62.9 % (")

The lowest point reached by the percentages of the note cover was on January 7 with 44.2 per cent and 59 per cent respectively; the highest point was reached on November 23 with 61.3 per cent for gold, and on March 23 with 76.9 per cent for gold and Devisen.

The growth in the circulation of all forms of currency in Germany during the year under report is shown by the following table. There were in circulation

amounts in millions of RM

	Reichs-bank notes	Notes of private banks	Renten-bank notes	Small coin	Total
on December 31 1925	2 960	190	1 476	582	5 208
" January 30 1926	2 649	180	1 450	585	4 864
" February 27 1926	2 822	185	1 335	599	4 941
" March 31 1926	3 160	184	1 108	616	5 068
" April 30 1926	3 086	183	1 157	626	5 052
" May 31 1926	2 878	175	1 373	639	5 065
" June 30 1926	2 971	182	1 388	647	5 188
" July 31 1926	3 107	172	1 363	659	5 301
" August 31 1926	3 225	169	1 260	666	5 320
" September 30 1926	3 251	171	1 369	685	5 476
" October 30 1926	3 326	176	1 317	695	5 514
" November 30 1926	3 374	176	1 199	692	5 441
" December 31 1926	3 736	180	1 164	750	5 830

For the growth in the Reichsbank's holding of deposits see the item "Sonstige täglich fällige Verbindlichkeiten" (Other day-to-day commitments) indicated in the table of Weekly Returns - see Annex VI.

The Giro turnover (incomings and outgoings), details of which are given below, was distributed as follows over the individual calendar months of the year under report:

	Monthly Averages	Average per Bourse day	Percentage movement of the Bourse day average (figure for the annual average = 100)
	in millions of RM		%
January 1926	41 458	1 658	93.7
February 1926	38 574	1 607	90.8
March 1926	42 699	1 581	89.4
April 1926	43 387	1 886	106.6
May 1926	41 049	1 710	96.7
June 1926	43 491	1 673	94.6
July 1926	46 855	1 735	98.1
August 1926	46 683	1 796	101.5
September 1926	44 142	1 698	96.0
October 1926	48 845	1 879	106.2
November 1926	49 016	1 961	110.9
December 1926	53 225	2 047	115.7
Average 1926	44 952	1 769	100.0
Average 1925	39 365	1 554	87.8

The Giro credit balances were

on January 1 1926 RM 575 937 666.03

The incomings on Giro account during

the year being as follows:

Cash payments	RM	20 475 121 901.20	
Customer accounts	"	77 609 471 727.33	
Local transfers	"	111 627 662 505.17	
Transfers from Branch offices	"	59 953 811 295.86	269 666 067 429.56
			(1925: 236 161 363 025.23)
		Total	RM 270 242 005 095.59

The outgoings were

Cash payments	RM	22 670 578 355.51	
Customer accounts	"	77 843 041 675.52	
Local transfers	"	111 627 662 505.17	
Transfers to Branch offices	"	57 616 474 467.07	269 757 757 003.27
			(1925: 236 217 435 612.38)
		Leaving RM	484 248 092.32

in the balance outstanding on December 31 1926.

In the Giro business of the year 1926 the following were

the numbers of

			1925	
	Cr.	Dr.	Cr.	Dr.
Cash payments	1 818 356	1 942 061	(1 999 993)	(2 169 809)
Customer accounts	3 484 330	3 511 709	(3 877 438)	(4 121 127)
Local transfers	7 070 358	5 179 054	(7 177 452)	(5 563 925)
Transfers from and to Branch offices	6 150 463	5 806 215	(6 200 349)	(5 821 430)
Total:	18 523 507	16 439 039	(19 255 232)	(17 676 291)

The cover, which has to be held under § 35 of the Bank Law for day-to-day commitments, amounted on December 31 1925 to 82.8 per cent, and on December 31 1926 to 90.2 per cent.

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A telegraphic Giro clearing system was introduced on December 20. The following are the figures down to the close of the year of the transfers:

	outgoing		incoming	
	Number	RM	Number	RM
Head Office	385	120 567 298.40	196	43 851 571.51
Branch Offices	910	91 043 892.17	986	162 493 253.10
Total:	1 295	211 611 190.57	1 182	206 344 824.61

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Receipts and payments in Giro business for the account of the Reich and Federal States amounted to:

		1925:
for the Reich	RM 121 194 992 318.03	(RM 107 892 251 580.84)
for the Federal States	" 44 148 561 542.34	(" 36 113 897 918.30)
Total:	RM 165 343 553 860.37	(RM 144 006 149 499.14)

The credit balance for these accounts amounted at December 31 1926 to RM 198 047 056.84 (at the end of 1925 to RM 232 170 798.09).

Giro
nsfers

For 1926 the following amounts were received from non-holders of accounts on behalf of Giro customers in other places:

		1925
in cash	RM 2 380 084 080.80	(RM 3 355 698 182.52)
plus transfers between Giro customers at different branches	" 57 616 474 467.07	(" 52 421 281 233.81)
Total of transfers between various branches	RM 59 996 558 547.87	(" 55 776 979 416.33)
Plus balance as at January 1, 1926	121 051 565.34	
Total	RM 60 117 610 113.21	
Of this sum were credited in 1926	" 59 953 811 295.86	(RM 55 844 659 829.14)
leaving a balance of	RM 163 798 817.35	

which is included in item 8 of the Bank's liabilities (see Annex III, Balance sheet).

Number Giro counts

The number of Giro account holders at the end of the year was

		1925:
at the Reichsbank Head Office	2 717	(2 814)
at the Reichsbank branches	41 758	(43 195)
together	44 475	(46 009)

Orders pay on er nches

Orders to pay addressed to other Branches were transmitted for the purpose to the number of:

1 057 orders totalling RM 10 907 038.57 (1925:RM 7 134 045.23)

Bank charges to the amount of RM 675.55 were collected for these services.

The total sums cleared at the 60 Clearing Offices in 1926 amounted to RM 56 876 907 300 (in 1925: 54 Clearing Offices with RM 50 926 317 000).

The number of drafts etc. cleared was 31 870 452 (1925: 28 455 843) and the average amount of each was RM 1 785 (1925: RM 1 790).

The number of institutions associated in the Clearing Offices at the end of the year was 749, including the Reichsbank's branches concerned (1925: 697).

The cheques presented at the Country Cheque Clearing Office in Berlin in 1926 amounted to RM 86 702 000 (1925: RM 81 372 500).

The number cleared was 405 183 (1925: 319 450), and the average amount of each was RM 214 (1925: RM 255).

The number of institutions associated in the Cheque Clearing Office at the end of the year was 20 (1925: 20).

The Rentenmark Sinking Fund established at the Reichsbank in virtue of § 6 of the Rentenbank Liquidation Law of August 30 1924 received the annual transfer from the Reich during the year under report of 60 millions in satisfaction of the obligations devolving on the Reich under § 7b of the Law in question. In addition, the share of the Reich under § 7c in the profits of the Reichsbank for the year 1925, to a total of RM 12.2 million (1924: RM 55.6 millions), was also paid into the Fund. The interest payments to the Rentenbank by the owners of the

land subjected to the agricultural mortgage brought in RM 96.4 millions (1925: RM 87.4 millions) in the year under report, of which RM 25 millions were set aside in accordance with § 9 of the Law in question and placed at the disposal of the Rentenbank-Kreditanstalt (Rentenbank Credit Institution), with the result that the Rentenmark Sinking Fund received RM 71.4 millions (1925: RM 62.4 millions). The Fund further received RM 293.4 millions (1925: 193.4 millions) out of the proceeds of the Rentenbank credits specified in § 11 of the Liquidation Law.

These sums were devoted in the prescribed manner to the destruction of Rentenbank notes. In all RM 436 990 715 (1925: RM 371 406 384) of such notes were redeemed during the year under report, thus reducing the amount of notes in circulation by approximately RM 312 millions, whilst the total of notes held by the Reichsbank fell by approximately RM 125 millions.

The amount of notes redeemed since 1924 totals RM 908.4 millions: that is to say 43.7 per cent of the total amount of Rentenbank notes officially in circulation at that date had been withdrawn at the close of 1926.

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Of deposits of securities with the Bank

there were on January 1 1926	168 977	deposits	1925
there were added in the course of 1926	13 304		(28 314)
	182 281	deposits	
there were withdrawn	121 894	"	(31 623)
leaving on December 31, 1926	60 387	deposits	

The considerable decrease in the number of deposits is mainly due to the closing of accounts owing to the exchange of German loans for Loan Liquidation Debt and the closing of very small accounts which are no longer economically worth while.

The number of the different forms of securities on December 31 1926 was 3 882 (1925: 4 529). Interest and profits on the same to the amount of RM 15 106 487.21 (1925: RM 4 338 380.74) were collected in the course of the year.

Bank charges for deposit of these securities and for the sale and purchase of the same in 1926 amounted to RM 459 754.42 (1925: RM 533 212.73).

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Of Trustee securities deposited with the Bank, that is to say securities belonging to the estate of a ward, and subject to the control of the Court of Chancery (Vormundschaftsgericht) in accordance with § 1814 of the Civil Code (Bürgerliches Gesetzbuch):

there were at the various branches of the Reichsbank on January 1 1926	1 908 deposits	1925:
there were added in the course of 1926	42 "	(53 deposits)
	1 950 deposits	
there were withdrawn	724 "	(811 ")
leaving on December 31, 1926	1 226 deposits	

Bank charges for deposit of these securities were collected to the amount of RM 1 293.50 (1925: RM 2 109.05).

The decrease in the number of the Trustee deposits of securities is due to the same causes as were given in the case of the other securities (see above).

rities safe ing

Of securities kept in safes with the Bank

there were on January 1 1926	1 193 deposits	1925:
there were added	438	(344 deposits)
	1 631 deposits	
withdrawn	678 "	(472 ")
leaving	953 deposits	

Bank charges RM 12 297.15 (1925: RM 16 651.53).

ises

The value of the premises of the Bank is shown in the balance sheet unchanged as RM 30 000 000.

Rents received for premises and dwellings leased to third parties totalled RM 1 959 831.52 (1925: RM 874 518.48).

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		1925:
The total costs of management were	RM 83 310 531.83	(RM 85 940 688.78)
of which there were recovered (see Figure 8a of the calculation of profits in the Profit and Loss account (Annex II)	RM 570 448.61	(RM 1 293 532.82)
making the effective total for 1926	RM 82 740 083.22	(RM 84 647 155.96)

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ofits

The gross profits for 1926 work out according to Annex II at RM 112.9 millions, as opposed to RM 181 millions in the previous year. The decline in the profits is explained mainly by the lower discount rates and the decline of the business in purchased bills. There has also been a decline in the bank charges as against 1925. The profits on Discounts and Loans together contributed RM 107.7 millions (1925: RM 161.6 millions), the interest on credit balances RM 6 millions (1925: 5.8 millions) and the bank charges RM 3 millions (1925: RM 9 millions) to the gross profits of the year.

The expenditure totals RM 90.1 millions as compared with RM 138.3 millions in 1925. Of this amount RM 83.3 millions (1925: RM 85.9 millions) were for costs of management (see above) and RM 6.8 millions (1925: RM 49.2 millions) for necessary reserves. It was not necessary this year to carry anything to the "del credere" fund and the reserve for printing new banknotes.

RM 22.8 millions (1925: RM 42.7 millions) thus remain as net profit. It is proposed to distribute this amount as follows in accordance with § 37 of the Bank Law: 20 per cent, i.e. RM 4.6 millions (1925: RM 8.5 millions) to the statutory reserve, and RM 4.2 millions (1925: RM 12.2 millions) to the Reich, the latter sum being used in accordance with § 7 of the Rentenbank Liquidation Law of August 30 1924 for the redemption of Rentenbank notes in circulation. There are thus left RM 14 millions (1925: RM 22 millions) for the shareholders. Of this sum, RM 12 278 810 go to pay a dividend of 10 per cent on the original capital as in the previous year, while the balance of RM 1.7 millions (1925: RM 9.7 millions) is assigned to the special reserve for which provision is made in § 37 of the Bank Law with a view to future dividends.

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The balance sheet has been drawn up in accordance with the provisions of § 36 of the Bank Law and § 9 of the Statutes of the Bank. See Annex III.

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The legal reserve on December 31 1925 was RM 33 951 705.66

to which 20 per cent of the net profit for 1926 have to be added in accordance with § 37 of the Bank Law	RM 4 558 449.47
leaving on December 31 1926	RM 38 510 155.13

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The "del credere" fund (provision against future emergency losses) and the reserve for printing new banknotes were entered unchanged in the balance sheet for RM 50 and RM 15 millions respectively.

Of the available Building Reserve of RM 15 millions, RM 6.8 millions (1925: RM 8 millions) were used. By placing an equivalent amount to reserve, the Fund was again brought up to RM 15 millions.

The Special Reserve Fund for future payments of dividends has been increased from 43.1 to 44.8 million reichsmarks by the addition of RM 1.7 millions being the amount of profit not distributed.

iginal pital

The original paid up capital of the Reichsbank remains unchanged at RM 122 788 100.

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The shareholders of the bank were entered in the books of the bank as follows:

			on December 31 1925	
10 139	Germans	with	1 010 363	shares of RM 100
1 357	foreigners	with	217 518	" of RM 100
11 496	shareholders	"	1 227 881	shares of RM 100
			on December 31 1926	
9 850	Germans	with	1 009 174	shares of RM 100
1 319	foreigners	with	218 707	" of RM 100
11 169	shareholders	"	1 227 881	shares of RM 100

taff

The number of officials, employees and workmen was reduced from 11 637 persons at the end of 1925 to 10 236 persons at the end of 1926. Of this total, the regular and temporary staff of officials at the end of 1926 was 8 572, while the employees

numbered 1 073 and the workers (male and female) 591. The Head Office in Berlin employed 2 800 officials, 342 employees and 470 workers out of the above total. In addition provisional auxiliary staff required for the work involved in the liquidation of public loans (Law of July 16 1925, see Reichsgesetzblatt I page 137) were engaged. The figures given above do not include this branch of work.

The number of branches at the end of 1926 was as follows:

		1925:
Chief Offices	17	(17)
Offices	84	(84)
Sub-offices with cash department	350	(346)
Sub-offices without cash department	1	(1)
Goods depositories	1	(1)
together	453	(449)

Sub-Offices with cash department were opened for the first time in:

Berlin-Weissensee	on February 8
Benrath	" April 22
Neustrelitz	" May 7
Berlin-Pankow	" November 8
Löbau (Saxony)	" December 7

The Sub-Office in Fürstenwalde (Spree) was closed on December 30.

The following further Annexes are appended to the German text only:

List of all Offices of the Reichsbank (Annex IV),

List of members of the Reichsbank Direktorium, the General Council, the Central Committee, the District Committees and Assessors (Beigeordnete) (Annex V)

Table of all the Weekly Returns published during the year 1926 (Annex VI),

Tabular statements showing the transactions of the Reichsbank since its foundation (Annex VII).

Our Vice-President and colleague Geheimer Oberfinanzrat Kauffmann, having passed the age-limit, retired on December 3 1926 in accordance with § 6 of the Bank Law. He had been a Director of the Reichsbank since January 1 1908, and Vice-President since October 11 1924. We recall with gratitude his valuable services to the Bank for many years past more especially during the difficult years of the war and those following. Our colleague Reichsbankdirektor Dreyse has been appointed Vice-President in his stead.

REICHSBANKDIREKTORIUM

Dr. Hjalmar Schacht Dreyse

v. Grimm Budczies Bernhard Seiffert Vocke

Friedrich Fuchs Schneider

Transl. 4276

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TRANSACTIONS OF THE DIFFERENT REICHSBANK BRANCHES.

Bank District	Giro transactions (including payments made by persons not having Giro accounts in favour of persons having such accounts) RM.	Transactions in inland bills and cheques RM.	Transactions in foreign bills and cheques and with foreign correspondents RM.	Loans against collateral (Lombards) RM.	Total RM.
Aachen (Aix)	1 973 820 400	113 587 800	5 669 500	5 565 900	2 098 643 600
Allenstein	688 904 300	123 383 900	112 100	6 133 500	818 533 800
Altona (Elbe)	1 791 745 200	181 721 600	3 302 800	4 637 000	1 981 406 600
Augsburg	1 338 492 400	96 869 800	6 197 400	51 000	1 441 610 600
Bad Kreusnach	379 024 900	39 863 600	9 316 200	1 120 600	429 325 300
Barmen	1 712 626 800	208 788 500	33 119 600	21 046 900	1 975 581 800
Berlin-Charlottenburg	2 018 451 900	116 355 700	7 745 400	2 823 900	2 145 376 900
Beuthen (Upper Silesia)	694 642 000	40 942 400	2 248 400	31 401 600	769 234 400
Bielefeld	1 543 204 000	125 064 400	9 183 500	24 186 600	1 701 638 500
Bochum	3 894 379 900	179 711 900	17 305 600	27 533 700	4 118 931 100
Bonn	965 525 800	88 547 200	8 956 300	8 108 600	1 071 137 900
Brandenburg (Havel)	849 278 100	87 683 700	9 245 800	11 361 800	957 569 400
Brunswick	1 569 613 200	136 038 800	11 805 900	11 027 300	1 728 485 200
Bremen	6 503 505 200	334 659 000	12 500 300	50 704 900	6 901 369 400
Breslau	7 522 006 200	298 974 200	6 067 200	59 761 300	7 886 808 900
Chemnitz	3 264 169 300	208 034 800	61 793 400	62 696 400	3 596 693 900
Cottbus	1 003 160 700	77 361 800	6 162 900	19 828 200	1 106 513 600
Darmstadt	1 574 701 100	48 609 700	13 834 400	11 280 500	1 648 445 700
Dessau	1 295 906 400	85 103 300	13 724 900	13 564 300	1 408 298 900
Dortmund	4 764 959 200	228 607 800	19 314 300	25 994 800	5 038 876 100
Dresden	9 971 768 200	367 906 500	49 350 000	3 746 700	10 392 771 400
Duisburg	3 824 001 400	213 687 400	7 452 800	76 417 500	4 121 559 100
Dusseldorf	9 032 432 900	359 856 500	19 612 700	55 309 000	9 467 211 100
Eisenach	1 094 989 500	134 196 400	53 959 200	30 911 000	1 314 056 100
Elberfeld	1 935 562 800	168 840 200	24 771 400	10 682 800	2 139 857 200
Elbing	770 057 000	96 112 200	2 126 700	11 440 400	879 736 300
Emden	602 554 800	54 027 100	8 622 200	5 768 000	670 972 100
Erfurt	3 605 285 000	215 724 600	26 418 300	18 986 600	3 866 414 500
Essen (Ruhr)	10 836 894 700	276 417 500	75 064 800	215 438 800	11 403 815 800
Flensburg	963 462 300	80 516 600	644 400	11 074 700	1 055 698 000
Frankfurt (Main)	17 312 313 700	581 585 600	158 700 400	384 133 900	18 436 733 600

Bank District	Giro transactions (including payments made by persons not having Giro accounts in favour of persons having such accounts) RM.	Transactions in inland bills and cheques RM.	Transactions in foreign bills and cheques and with foreign correspondents. RM.	Loans against collateral (Lombards) RM.	Total RM.
Frankfurt (Oder)	954 398 600	52 050 900	2 258 200	5 523 100	1 014 230 800
Freiburg (Breisgau)	1 633 180 600	189 379 900	26 695 000	29 360 000	1 878 615 500
Fulda	425 539 100	51 902 100	7 885 600	3 983 600	489 310 400
Gelsenkirchen (Westphalia)	2 401 580 000	95 996 700	2 181 400	23 094 000	2 522 852 100
Gera	1 913 686 700	134 400 300	44 909 300	23 717 000	2 116 713 300
Giessen	689 272 500	59 562 500	8 778 800	8 591 700	766 205 500
Glatz	186 678 500	15 855 400	3 040 900	742 400	206 317 200
Gleiwitz	1 096 702 600	59 472 500	1 225 400	39 469 500	1 196 870 000
Glogau (Silesia)	881 239 200	101 020 800	6 975 600	23 259 600	1 012 495 200
Görlitz	941 300 400	86 654 000	8 186 200	10 797 400	1 046 938 000
Göttingen	607 303 500	62 193 900	5 222 700	10 873 800	685 593 900
Hagen (Westphalia)	1 731 470 800	143 868 300	40 642 900	13 624 700	1 929 606 700
Halberstadt	1 000 775 600	109 243 600	9 730 600	19 284 600	1 139 034 400
Halle (Saale)	5 045 052 200	330 651 300	30 275 000	55 654 800	5 461 633 300
Hamburg	19 490 249 100	571 791 600	341 336 200	306 621 900	20 709 998 800
Hamm (Westphalia)	978 425 200	99 217 500	13 202 500	4 324 600	1 095 169 800
Hanover	6 779 915 100	333 679 500	16 725 300	36 000 400	7 166 320 300
Hildesheim	1 273 747 400	117 237 700	9 885 300	29 717 100	1 430 587 500
Husum	461 596 200	98 842 500	549 200	3 241 800	564 229 700
Insterburg	698 325 000	115 354 400	484 800	7 029 700	821 193 900
Kaiserslautern	602 496 700	82 850 600	1 681 900	17 354 000	704 383 200
Carlsruhe (Karlsruhe)	6 153 593 500	306 521 100	36 240 000	47 052 200	6 543 406 800
Cassel (Kassel)	2 896 650 000	175 580 100	12 281 900	38 285 700	3 122 797 700
Kiel	2 763 422 200	148 412 100	5 466 000	15 095 100	2 932 395 400
Coblence (Koblenz)	1 484 865 500	93 085 000	5 232 800	20 628 100	1 603 811 400
Cologne Rhine (Köln, Rhein)	16 255 608 500	685 770 800	96 877 200	164 728 600	17 202 985 100
Königsberg (Prussia)	3 721 407 700	215 352 900	1 169 800	28 437 000	3 966 367 400
Köslin	607 486 800	81 489 900	208 200	4 177 900	693 362 800

Bank District	Giro transactions (including payments made by persons not having Giro accounts in favour of persons having such accounts RM.	Transactions in inland bills and cheques RM.	Transactions in foreign bills and cheques and with foreign correspondents RM.	Loans against collateral (Lombards) RM.	Total RM.
Crefeld	1 670 571 100	150 618 200	6 694 700	16 238 600	1 844 122 600
Landsberg (Warthe)	1 039 317 100	115 548 400	1 569 000	22 183 700	1 178 618 200
Leipzig	6 531 425 200	363 724 500	53 292 700	47 087 100	6 995 529 500
Liegnitz	1 086 444 400	85 010 100	12 776 200	21 275 200	1 205 505 900
Lippstadt	1 033 694 800	55 375 100	6 027 600	4 787 100	1 099 884 600
Lübeck	1 287 410 700	114 425 300	4 114 900	13 864 500	1 419 815 400
Ludwigshafen (Rhine)	2 566 913 800	160 983 000	37 495 800	30 236 900	2 795 629 500
Magdeburg	4 555 075 700	254 229 700	16 510 000	26 636 100	4 852 451 500
Mains	1 935 330 600	141 663 800	3 492 500	36 188 000	2 116 674 900
Mannheim	7 608 660 000	314 234 500	194 060 500	72 521 900	8 189 476 900
Minden (Westphalia)	653 885 800	74 305 800	3 966 300	1 501 800	733 659 700
Mülheim (Ruhr)	1 744 316 000	173 053 500	1 358 300	21 769 700	1 940 497 500
Munich	11 614 755 100	480 697 000	7 348 800	124 752 500	12 227 553 400
M. Gladbach	1 150 527 000	97 262 700	3 411 000	6 574 700	1 257 775 400
Münster (Westphalia)	3 675 037 200	205 290 500	3 066 300	33 071 700	3 916 465 700
Nordhausen	662 500 300	73 336 200	4 883 700	8 535 600	749 255 800
Nuremberg	5 312 297 500	291 056 800	70 859 000	23 622 900	5 697 836 200
Oberhausen	843 970 600	32 429 500	2 897 500	2 220 400	881 518 000
Oppeln	1 597 072 100	64 119 100	1 266 300	26 388 100	1 688 845 600
Osnabrück	1 128 099 700	142 419 200	5 671 200	15 695 400	1 291 885 500
Pforzheim	615 162 400	76 140 700	44 133 800	15 777 800	751 214 700
Plauen (Vogtland)	1 588 741 900	129 307 300	40 451 000	2 242 800	1 760 743 000
Ratisbon (Regensburg)	860 997 100	77 612 100	3 906 400	35 400	942 551 000
Remscheid	1 043 786 900	76 990 100	27 096 100	8 808 000	1 156 681 100
Reutlingen	706 446 400	68 185 800	23 018 100	7 477 200	805 127 500
Rostock	933 172 500	94 618 800	1 885 900	5 005 000	1 034 682 200
Saarbrücken	829 778 200	23 882 500	9 850 000	821 600	864 332 300
Schweidnitz	1 289 654 300	135 042 700	8 241 900	95 790 500	1 528 729 400
Schwerin (Mecklenburg)	1 305 152 800	78 804 900	3 284 100	1 481 000	1 388 722 800
Siegen	1 086 529 300	142 873 000	10 820 900	23 836 400	1 264 059 600

Bank District	Giro transactions (including payments made by persons not having Giro accounts in favour of persons having such accounts RM.	Transactions in inland bills and cheques RM.	Transactions in foreign bills and cheques and with foreign correspondents RM.	Loans against collateral (Lombards) RM.	Total RM.
Stettin	4 621 532 800	232 231 900	19 071 300	22 852 800	4 895 688 800
Stolp (Pomerania)	428 730 300	81 720 400	1 491 100	5 404 800	517 346 600
Stralsund	595 547 700	75 314 300	1 177 900	9 603 500	681 643 400
Stuttgart	7 974 266 600	460 450 300	28 056 700	49 822 300	8 512 595 900
Tilsit	383 569 500	50 426 600	2 872 100	3 700 700	440568 900
Trèves (Trier)	684 426 200	36 567 600	835 800	8 888 700	730 718 300
Ulm (Danube)	1 369 335 700	175 492 600	10 685 700	34 825 100	1 590 339 100
Wiesbaden	1 445 839 200	61 420 800	4 959 700	6 469 800	1 518 689 500
Wilhelmshaven	416 412 500	41 539 900	101 300	5 866 000	463 919 700
Würzburg	1 604 769 100	146 784 900	16 697 200	14 712 300	1 782 963 500
Zittau (Saxony)	656 245 200	59 874 700	7 693 000	13 737 300	737 550 200
Zwikau (Saxony)	1 438 627 500	107 554 000	31 023 300	95 700	1 577 300 500
With Branch Offices	278 549 437 300	15 808 837 200	2 161 813 100	3 105 815 100	299 625902 700
With Head Office	263 254 471 200	4 765 765 700	31 777 334 200	6 165 713 200	305 963284 300
Total	541 803 908 500	20 574 602 900	33 939 147 300	9 271 528 300	

Transactions in gold	623 843 500
Transactions in foreign bank notes	414 644 900
Other transactions	20 295 993 400
Total	626 923 668 800

FOR THE YEAR 1926

			R.M.
Accordingly income amounted to			112 867 820.34
Accordingly expenditure amounted to			90 075 572.99
The net profit for the year 1926 therefore was . .			22 792 247.35
In accordance with § 37 of the Bank Law it is proposed to distribute this profit as follows :			
20 per cent to the Legal Reserve Fund			4 558 449.47
		leaving . .	18 233 797.88
Out of this sum the shareholders are first of all entitled to 8 per cent on RM 122 788 100 =		RM.9 823 048.00	
Of the remainder amounting to RM 8 410 749.88			
half goes to the Reich	RM.4 205 374.94		
half goes to the shareholders		" 4 205 374.94	
The Reich therefore receives	RM.4 205 374.94		
which sum under § 7c of the Law of August 30 1924 for the Liquidation of Rentenbank notes goes to the Rentenmark Sinking Fund.			
The shareholders are entitled to		RM.14 028 422.94	18 233 797.88
Of the sum due to the shareholders amounting to		RM.14 028 422.94	
a dividend of 10 per cent (on RM 122 788 100) will be distributed .		" 12 278 810.00	
The remaining sum of		RM. 1 749 612.94	

will be carried to the Special Reserve Fund for future payments of dividends.

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ANNEX III.

BALANCE SHEET OF THE REICHSBANK FOR DECEMBER 31, 1926

ASSETS

	RM.	RM.
1. Reichsbank shares not yet issued		177 211 900.--
2. Gold, not pledged (gold bars, inland and foreign coins)		
a) in the cash offices of the Bank....	1 661 103 415.38	
b) with foreign Central Banks of Issue	170 280 306.91	1 831 383 722.29
3. Cash balances :		
a) small coins	85 990 713.24	
b) Rentenbank notes	7 408 115.--	
c) Reichsbank notes	1 389 174 230.--	
d) Notes of German Private Banks of Issue	4 294 850.--	1 486 867 908.24
4. Credit balances in foreign currencies (of which the equivalent of RM.517 664 000 has been assigned as cover for the notes in circulation)		536 994 189.22
5. Foreign notes		1 504 047.93
6. Foreign bills and cheques		424 585 044.35
7. Inland bills and cheques ..... Inland bills negotiated RM. --		1 412 897 249.11
8. Silver		675 280.68
9. Loans against collateral (Lombards) viz:		
a) Loans against gold and silver (§ 21, 3a of the Bank Law)	1 200.--	
b) Loans against securities (§ 21, 3b, c,d, of the Bank Law)	41 489 900.--	
c) Loans against bills (§ 21, 3e of the Bank Law)	41 142 000.--	
d) Loans against goods (§ 21, 3f of the Bank Law)	1 136 900.--	
e) Loans against long term obligations of the Reich (§ 21, 3 paragraph 2 of the Bank Law)	308 300.--	

A S S E T S

	RM.	RM.
f) Loans against Treasury Bills of the Reich (§ 21, 3g of the Bank Law)	-	84 078 300.--
10. Securities in the possession of the Reichsbank		91 011 004.24
11. Doubtful claims		14 904 311.10
12. Land and buildings		30 000 000.--
13. Claims resulting from the settlement with the Reich		136 422 480.86
14. Miscellaneous :		
a) Bank notes no longer fit for circulation	283 840.--	
b) Advances for building purposes	7 217 966.95	
c) Other claims	187 037 218.98	194 539 025.93
including: Credit balances with Postal Cheque Offices ..... RM.25 822 391.56 Postponed claim on the German Rentenbank in virtue of § 11, 4 of the Law of August 30, 1924 for the liquidation of Rentenbank notes in circulation ..... RM.61 193 664.98 Investment value of the reserves for the pensions and half-pay fund .. RM.79 903 636.57		
		6 423 074 463.95

BALANCE SHEET OF THE REICHSBANK FOR DECEMBER 31, 1926

LIABILITIES

	RM.	RM.
1. Original capital		
a) shares issued	122 788 100.--	
b) shares not yet issued	177 211 900.--	300 000 000.--
2. Legal Reserve Fund (including transfer under item 10 below)		38 510 155.13
3. Reserve for pensions and half-pay liabilities		80 000 000.--
4. "Del credere" fund		50 000 000.--
5. Reserve		
a) for printing of new notes	15 000 000.--	
b) for building purposes:		
Balance on Jan.1,1926 RM.15 000 000.--		
Of this sum there have been expended during the year 1926 " 6 765 041.16		
RM. 8 234 958.84		
added to reserve .... " 6 765 041.16	15 000 000.--	30 000 000.--
6. Special reserve fund for future payments of dividends		43 133 287.12
7. Total bank note issue		5 124 983 700.--
8. Credit balances of Giro and current accounts		648 046 909.67
9. Miscellaneous :		
a) Interest on bills due in 1927	5 119 303.16	
b) Dividends due but not yet paid	253 710.--	
c) Rentenmark Sinking Fund	-	
d) Dollar Treasury notes of the Reich, to be redeemed by the Reichsbank..	1 066 545.32	
e) Liabilities in foreign currencies	188 634.13	
f) Other creditors	83 538 421.54	90 166 614.15
10. Net profits for the year 1926	22 792 247.35	
less 20 per cent assigned to the Legal Reserve Fund	4 558 449.47	18 233 797.88

LIABILITIES

	RM.	RM.
Contingent liabilities resulting from negotiated inland bills: RM. --		
		6 423 074 463.95

Translation 4276 (from the German): translated CFH: checked RB.

LIABILITIES

	RM.	RM.
Contingent liabilities resulting from negotiated inland bills: RM. --		
		6 423 074 463.95

Translation 4276 (from the German): translated CFH: checked RB.

I.I.9.4113 DOC. 245 bis.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 30, 1927.

REPORT

OF THE DEUTSCHE GOLDDISKONTBANK

FOR 1926.

The growing liquidity of the German money market in the past business year, which was mainly to be attributed to the influx of foreign money, meant a steady decline in the calls made by exporters on the Golddiskontbank. Loans, which at the beginning of 1926 still totalled more than £ 9 000 000, had dropped by the end of the year to only about £ 4 000 000.

The following is the total for bills bought:

10 768 bills representing £ 19 931 302.6
988 bills representing $ 18 694 431.76

The following table shows the distribution of the bill credits according to their amount:

(The dollar credits are given at their value in pounds sterling)

£ 500 and less	.....	375 bill credits (including 2 for less than £ 100)
£ 501 - 1 000	.....	437 .. ..
£ 1 001 - 5 000	.....	1 118 .. ..
£ 5 001 - 10 000	.....	267 .. ..
£ 10 001 - 50 000	.....	224 .. ..
£ 50 001 and above	.....	35 .. ..
		2 456 bill credits

At the beginning of the year the discount rate of the Bank was 6 per cent. It was reduced to 5½ per cent on March 27 and to 5 per cent on July 7, 1926.

The Bank agreed with the Rentenbank-Kreditanstalt to take over 7 per cent mortgage bonds of the latter institution, thus enabling it immediately to grant mortgage interim loans to agriculture for the more intensive cultivation of the land, with a view to reducing the importation of agricultural products. On December 31, 1926 the total for bonds taken over under the agreement was RM 220 750 000. The bonds, and the loans to agriculture as provision for which they were issued, fall due in three equal instalments on July 15, 1929, July 15, 1920 and July 15, 1931.

The increasing plenitude of funds on the money market in the second half of the year provided an opportunity for the issue on the market of sola bills for RM 72 600 000 at the rate of from 4½ to 4¾ per cent.

During the year under report no foreign borrowing was necessary. The sum of $ 4 000 000 still outstanding on January 1, 1926 was repaid within the first quarter of the year.

The share in the profits due to the Reichsbank in respect of the years 1924 and 1925 to the total amount of £ 691 501. 16. 0. has hitherto been left with the Golddiskontbank in order to strengthen its working funds and at the same time to obviate the necessity for the immediate payment of the balance due for shares not yet fully paid up. The Reichsbank has recently decided to forego its right

to the amount represented by these dividends: the amount in question thus lapses to the Golddiskontbank and is placed to a special reserve fund.

The profit for the business year amounts to £ 510 236. 17. 7, appropriated as follows:

statutory reserve, 5 per cent of £510 236.17.7	£ 25 511.16.0
special reserve	£308 498. 4.0
del credere fund	£175 000. 0.0
the balance of ..... is carried forward to the new balance sheet	£ 1 226.17.7
	£510 236.17.7

Translation 4289 (from the German): translated BWS: checked RB. QW.

BALANCE SHEET OF THE DEUTSCHE

ASSETS

as at

	£.	s.	d.	£.	s.	d.
1. Share capital not yet paid up				3,352,800	-	-
2. Day-to-day claims				74,964	16	10
3. Bills and cheques				380,420	19	3
4. Securities				12,077,504	3	1
5. Other assets				33,555	11	-
6. Bills negotiated £3,730,750 6 7						
				15,919,245	10	2

Dr. PROFIT AND LOSS

	£.	s.	d.	£.	s.	d.
To Discount up to December 31,1926 on sola bills issued				7,310	17	10
Costs of Management				22,031	17	7
Profit				510,236	17	7
The following appropriation of profit is proposed:						
statutory reserve, 5 per cent of £ 510 236 17 7	25,511	16	-			
special reserve	308,438	4	-			
del credere fund	175,000	-	-			
the balance of to be carried forward to the new balance sheet	1,226	17	7			
	510,236	17	7			
				539,572	13	-

Translation 4239(from the German): translated BWS: checked RB.

DOC. 245 bis.

GOLDDISKONTBANK, BERLIN

December 31 1926

LIABILITIES

	£.	s.	d.	£	s.	d.
1. Share capital				10,000,000	-	-
2. Statutory reserve				44,636	5	7
3. Del credere fund				115,000	-	-
4. Day-to-day liabilities				23,671	9	-
5. Acceptances (sola bills)				3,553,597	13	-
6. Liabilities in respect of loans against security				270,773	5	8
7. Forward liabilities				691,501	16	-
8. Other liabilities				9,823	3	4
9. Net profit for 1926				510,236	17	7
10. Liabilities in respect of negotiated bills £3,730,750 6 7						
				15,919,245	10	2

ACCOUNT FOR 1926

Cr.

	£.	s.	d.	£.	s.	d.
By Profit brought forward from 1925				1,328	3	3
Profit on bills, cheques and other claims				51,070	12	8
Profit on securities				437,780	11	1
Other profits				49,400	5	-
				539,579	13	-

Berlin S.W. 111, March 28,1927.

DEUTSCHE GOLDDISKONTBANK
Bernhard Friedrich Fuchs

I.I.9.431 DOC. 246

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, March 28 1927.

REPORT OF THE DEUTSCHE BANK

FOR THE YEAR 1926.

(see DOC. 186)

The year 1926, the 57th year of the Deutsche Bank's activities, saw the crisis which had arisen during the latter half of 1925 attain its highest point in the early months of the year, only to pass over - and that much sooner than had been expected. The number of bankruptcies and Geschäftsaufsichten and protested bills are indicative of the fluctuations of the crisis.

	Bankruptcies and Geschäfts-aufsichten	Protested bills
in January	3 645	29 346
" February	3 571	20 764
" March	3 352	18 360
" April	2 225	11 983
" December	555	3 602

In retrospect it emerges clearly that the crisis was not due to changed economic conditions, but merely represented a phase in the progress of deflation, very largely accelerated by psychological influences and therefore accompanied by very dis-

turbing attendant circumstances, through which the country as a whole has had to pass since stabilisation. A change for the better was inevitable once the attitude of distrust in the future had disappeared. It is difficult to say whether the more favourable development of our foreign policy, more especially the evacuation of the Cologne zone and the entry into the League of Nations, or purely economic factors have most helped to restore confidence. The favourable harvest in 1925 almost eliminated the necessity for importing cereals and the decreased stocks, not so much of industry as of all commercial undertakings both large and small, resulted in decreased imports of raw materials so that the monthly returns of the trade balance revealed unusually favourable figures. The effect on the money market, which continued to receive large sums from abroad, was very soon noticeable and enabled the Reichsbank to reduce the discount rate to 8 per cent as far back as January. Of still greater significance was the granting, on the initiative of the Deutsche Bank, of an agricultural credit of 300 million reichsmarks by the Golddiskontbank which was placed at the disposal of agriculturalists against payment of interest at 7½ per cent, this being the first definite reduction in the rate of interest for long term loans as distinct from other categories.

The movement towards concentration continued throughout all branches of industry, facilitated by the reduction in the tax on amalgamations (Fusionssteuer). The Vereinigte Stahlwerke

Aktien-Gesellschaft was founded on January 14, primarily as an experiment.

The output of raw steel increased from 791 000 tons in January to 977 000 tons in June, that is to say by 23½ per cent. The number of trucks made available by the Railway increased per working day from 101 800 in January to 116 200 in April and 121 200 in June. The receipts derived by the Railway from its goods traffic rose from RM 180.9 millions in January to RM 225.6 millions in June.

On the Bourse, which since the reintroduction of forward business is once more becoming a reliable economic barometer, the crisis took the form of an unprecedented state of depression; but the Bourse was the first to recover when the situation improved. The average price of shares rose steadily from January to July by considerably over 50 per cent. (Towards the end of the year the average price of shares traded on the Berlin Bourse according to calculations made by us in December was 216, the rate at the beginning of the year being taken as 100). The crisis may therefore be considered as overcome at the end of the first half year, i.e. <u>before</u> the consequences of the British coal strike made themselves felt in Germany.

The effects of the British strike, which lasted seven months, were all the more apparent during the second half of the year, in Germany as in other exporting countries. In the first instance it enabled the coal industry to make an end of the lock-up of

working funds in excessive pit-head stocks, and made possible a surplus of coal exports over coal imports of RM 805 millions (as compared with RM 238 millions in the previous year). In the second instance our iron industry received unexpected orders owing to the stoppage of all exports from England. In view of the great significance for the country as a whole of the coal and iron industry, increased activity naturally made itself felt more or less in all other branches, so that at the end of the year increased economic activity was generally to be found.

1926	January	June	December
Output of raw steel in tons	791 000	977 000	1 303 000
Number of trucks made available by the Railway per day	101 800	121 200	139 300
Receipts from goods traffic in millions of RM.	180.9	225.6	266.7

If the notification of Germany's entry into the League of Nations made an impression in the country itself which was of great importance for the overcoming of the crisis, her definite entry was an international factor which made it possible to go a step beyond the conception of national amalgamations and to conclude international agreements with foreign countries in regard to production, selling markets, and prices. Close co-operation, on the basis either of capital participation by one or both parties or merely of contracts between German and foreign private concerns of the same branch of industry, became possible - for example in

the artificial silk industry, tube manufacture and textile industry. The arrangements concluded between different categories of industry were however much more important. Ten international cartels and trusts, nearly all founded during the last four months of the year, are important stages on the path to international solidarity of economic interests.

The Interviews of the Franco-German Committee of Understanding and the negotiations between British and German leaders of industry in Romsey followed the same object, i.e. to oppose tendencies towards isolation and to assist the exchange of commodities. This was also the object of the international manifesto published by economists in October, and of the work performed by the International Chamber of Commerce and is to be found underlying the preliminary work for the International Economic Conference. The desired success has however only been partially realised in so far as the conclusion of commercial treaties is concerned; we are still in the stage of negotiations with France, Poland and other countries of importance for our economic development.

The success or failure of these many efforts will have a decisive influence on the continuation and duration of the present improved state of trade. Our foreign trade certainly appears very satisfactory with imports for RM 9 951 millions and exports for RM 9 818 millions. It must however not be expected that imports will be restricted in the future as they were in the

year under report. The 1926 harvest was unfavourable. The figures are:

Rye	64.0	million	metric	quintals	as against	80.6	million metric quintals in 1925	
Wheat	25.9	"	"	"	"	32.1	"	"
Potatoes	300.3	"	"	"	"	417.1	"	"

The only increase occurred in the case of

Oats	63.2	million	metric	quintals	as against	55.8	"	"

The farmer is compensated to a certain extent by higher prices for a reduced harvest, but the shortage remains for the economy of the country as a whole and will necessitate increased agricultural imports during the current year. The decrease in the stocks of all classes of commodities will also be affected once the tendency of prices to fall, which was noticeable in the year just ended, becomes a tendency to rise. The export figures are favourable owing to unexpected profits (coal) but the export of manufactured goods, that is to say the export of German work upon material, has not increased to any appreciable extent during 1926. It is however this item which will in future decide the possibility of fulfilling the Dawes Plan and it is this particular branch which most affects the employment of the 1¾ million unemployed.

The most important problem confronting our country is indeed that of finding work for the many unemployed who have lost their means of subsistence partly through the rationalisation of business concerns and technical developments. It was for this reason

that we negotiated in 1925 the short term 100 million loan for industrial exports to the (for Germany) very important Russian market, and - in conjunction with other banks and bankers - opened in 1926 the industrial credits necessary for the longer term 300 million loan.

Unemployment can indeed only be mitigated by increased export trade. Complete recovery can only be hoped for after the internal market revives.

The necessary increase in consumption cannot be obtained solely from reduced prices, however desirable the latter may be. Apart from the wages and income received, it depends very greatly on the fortune of the population. A well-to-do person can consume his income - a less well-to-do person must save. A correct estimate of the national capital of Germany is therefore of great importance. The capital investments of our industrial undertakings, the value of which has sometimes been underestimated, have found their justification in the activity of the Bourse during the past year, a development which was largely misunderstood but has been of great significance to the economic recovery of the country. In the case of agriculture and municipal real estate the value of the capital invested cannot be said as yet to be appreciated. Any change for the better is blocked by the continuance of the system of Government control and by the excessive taxation which is crushing our entire economic life and real estate in particular.

Germany's indebtedness to foreign countries can scarcely have increased by more than the round RM 700 millions by which the

Reichsbank was able to increase its holdings in gold and foreign exchange cover. Approximately RM 1.6 milliards were taken up abroad in the form of long-term loans: but they served partly to liquidate short-term foreign engagements, while the remainder is offset by an increasing export of German goods on credit.

Although the year 1926 may be generally considered to represent an important step forward on the path of recovery in so far as the general state of the country is concerned, such a statement can only be accepted in a very restricted form in regard to banking business. Profits have certainly been above the average, but the component elements of these profits have not all been equally satisfactory.

The proceeds from interest have fallen very considerably as also the commissions received in connection with current account business. The money market was more than provided with funds during the whole year, but these funds could not be utilised for loans owing to their short duration, and often remained unproductive although they influenced the rate of interest and caused the Reichsbank to decrease its discount rate on several occasions. Whereas in 1925 the entire increase of deposits was devoted to additional cash credits, the increase in the "Creditors" during the past year (to the end of October for the banks publishing two-monthly balance sheets approximately RM 1 230 millions) is offset by a corresponding item of only some 520 millions of "Debtors". It must not be thought however that the banks did

less to satisfy the calls for credit: the change in the figures was due rather to changes in the composition of the "Debtor" holdings, which made it possible for the banks to improve the liquidity of their funds without having to refuse calls on the part of clients. Large industrial undertakings, to which the banks had advanced very considerable amounts without cover, took up foreign or German loans out of the proceeds of which they liquidated their debts to their banks; the funds thus received could be placed at the disposal of other parties in search of loans, and outside of these sums only a portion of the increase in deposits was required to satisfy all reasonable claims. The very noticeable alteration in the bank balance sheets between the ratio of uncovered to covered "Debtors" is due chiefly to this change in the composition of the class of "Debtors", although unfortunate experiences during the crisis may have had some effect also.

The exceptionally heavy influx of amounts at short term or for day-to-day use on the monay market is a result of the general decrease in stocks effected in expectation of a fall in prices and for the purpose of saving interest. The funds thus released flowed in the case of small concerns into the coffers of the savings banks, (whose increased deposits of RM 1½ milliards are most certainly in excess of the actual saving power of the country), and in the case of medium sized and large concerns into the coffers of the banks. The fact that the amount of bills in

circulation has not increased in spite of the trade revival is also due to this reduction of stocks.

A large proportion of this (for the moment) unneeded working capital of industry also went into investments, the assumption being that the anticipated continued fall in the rate of interest would make it more advantageous to invest (if only temporarily) in public loans, short-term mortgage bonds (Pfandbriefe) and industrial debentures, rather than to maintain credit balances at the banks. Part of the funds procured through foreign loans were probably put to this use. The result was an excessive inflation of the German market in securities. The capital market was called upon to the extent of more than RM 3¼ milliards in respect of fixed interest-bearing securities (of which 1¾ milliards alone were bonds of real property credit institutions), in addition to nearly RM 1 milliard for banking and industrial shares; and these sums are far in excess of the surplus available out of savings for capital issues. The total of capital issues in 1913 was only 2½ milliard marks.

The readiness of the public to invest in all classes of securities whether in the form of capital issues or on the Bourse was profitable to the banks. Increased Bourse activity also made it possible profitably to invest part of the short-term money in contangoes at 15 days. The decrease in the proceeds of interest and overdraft charges was thus made good; but nothing has been done to provide compensation for the period when profits from

stock exchange transactions and underwriting again decrease or cease altogether. The ratio of Overhead costs to gross profits is still very unsound. The movement towards concentration in other branches of business, the outward and visible sign of which is the decrease in the number of share companies from 17 074 at the end of 1924 and 13 010 at the end of 1925 to 12 392 on October 31 1926, has not so far visibly affected banking business. An agreement between the public banks and savings banks on the one hand and the private banks and bankers on the other hand in regard to a delimitation of the business to be done by each category has not yet been concluded. Had the year been less profitable, it is probable that more interest would have been shown in a subject of such significance for the future.

The power of absorption of the German security market for new issues of shares, which was only drawn upon to a small extent during the first half of the year under report, caused us to place the RM. 40 000 000 worth of shares of our bank, which had been intended for foreign markets, on the home market, and to introduce them to the German Bourses, while giving our shareholders priority claims thereto. A sum of RM. 15 316 904 was paid into our reserve fund as a result of this successful transaction.

On December 31 1926 there were branches of the Deutsche Bank in 176 towns. In addition 101 town deposit cash offices were maintained, of which 47 were in Berlin. We closed eight small branches during the year under report.

The work of our branches, both at home and abroad, has been satisfactory.

The number of accounts at the end of the year under report was 338 686 as compared with 332 183 at the end of the previous year. This increase appears smaller than the reality owing to the fact that the number of accounts in foreign currencies fell considerably during the year. In spite of this fact the foreign currency accounts when converted into reichsmarks still constitute a very considerable proportion of both the assets and the liabilities of our balance sheet - in the case of the former approximately 27 and of the latter approximately 23 per cent.

Turnover increased to RM 165 282 051 000. This is still inferior to the pre-war figure obtained by the Bank (including the banks absorbed in the interval). This is due exclusively to the absence of the turnover of our former London and Brussels branches which transacted more business than our Amsterdam branch. The pre-war figure for turnover has already been exceeded in the case of our German branches.

If we can remember that the average amount of the entries forming the turnover is very much smaller than the average pre-war amount, we find that the volume of work done during the past year is very much greater than formerly. For example the

average amount of the bills and cheques presented to our Head Office in 1926 was RM 952 as compared with RM 3 213 in 1913. The number of book entries on current account has more than doubled since the war.

Staff has been further reduced during the business year, the figures being 14 800 as against 16 000 in round figures at the end of the year before last. The sums thus economised during the past year (on employees engaged on a wage agreement basis) have been almost entirely absorbed by the increased rates of salaries imposed upon us by the decision of the Ministry of Labour of February 1926, without taking into account the special bonuses granted for Christmas 1926. It is satisfactory to note that the number of unemployed bank clerks is not very large in spite of the dismissals on a large scale necessitated by the depression in banking business since the close of the Inflation. In connection with the question of hours of labour it is greatly to be desired that the special features of banking should receive full consideration. It is impossible to renounce overtime at moments of pressure: but we consider it our duty on the other hand to allow our employees to leave even before the close of the full working day of eight hours at times when business is quieter.

One of the specially important points in regard to staff is the education of our younger employees, more especially the apprentices, the number of which under the wage agreement system is however only a fraction of the whole (25 per cent for example

at our Head Office); we have endeavoured to promote this by increasing the number of courses in shorthand and foreign languages, and have arranged for lectures on the technical side of banking. The existing sport clubs have developed in a satisfactory manner; and the playing fields in Berlin have been extended. Our branches are also paying increased attention to the physical and professional education of their employees. 592 officials have been housed and fed free of charge on 12 079 days in our holiday homes "Johannaberg" and "Sellin" during the business year. In addition 218 children of our employees have been received in "Johannaberg" during the winter months for the space of a month each.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 5, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN FEBRUARY 1927

(cf. DOC. 243)

The table is given below of receipts and payments of the Reich for the month of February 1927. The figures for November - the corresponding month of the previous quarter - have been added.

	Financial Year 1926 - 1927			
	November 1926	April 1926-January 1927	February 1927	Total for first 11 months
	(in million RM)			
A. ORDINARY BUDGET.				
Receipts				
a) from taxation	625.3	6 056.7	575.1	6 631.8
b) administrative	47.4	349.1	24.4	373.5
Total	672.7	6 405.8	599.5	7 005.3
Payments				
a) General administrative	362.6	3 776.3	373.4	4 149.7
b) Reparation payments	51.4	333.5	49.7	383.2
c) Transfers to the States ...	246.8	2 177.9	210.9	2 388.8
Total	660.8	6 287.7	634.0	6 921.7
Deficit brought forward	-	-	34.5	-
Surplus brought forward	11.9	118.1	-	83.6
Surpluses from financial years 1924 and 1925, as distributed each month	36.1	328.1	36.1	364.2
Budget deficit	-	-	-	-
Budget surplus	48.0	446.2	1.6	447.8

	Financial Year 1926 - 1927			
	November 1926	April 1926-January 1927	February 1927	Total for first 11 months
	(in million RM)			
B. EXTRAORDINARY BUDGET.				
Receipts	-	1.6	-	1.6
Payments				
a) General administrative, including charges arising out of the war	43.1	389.3	14.4	403.7
b) Reparation payments	-	113.2	1.9	115.1
Total	43.1	502.5	16.3	518.8
i.e. net payments to be met out of loans	43.1	500.9	16.3	517.2
C. RECEIPTS AND PAYMENTS FOR THE FINANCIAL YEAR 1925-1926.				
Receipts	0.2	48.7	-	48.7
Payments	14.5	391.0	9.9	400.9

STATE OF THE FLOATING DEBT AS ON	November 30, 1926	January 31, 1927	February 28, 1927
1) Obligations to pay	9.7	9.7	9.7
2) Guarantees	50.9	51.0	51.1
3) Loan from the Post Office	100.0	110.0	110.0

REMARKS.

I. Ordinary Budget.

1. The Ordinary Budget in February 1927 showed a deficit of 34.5 millions for effective receipts and payments. RM 101.5 millions are nevertheless shown as having been transferred to the Federal States in respect of taxes collected

in January, whereas there only remained 44.2 millions to be transferred in March in respect of February. If these two transactions were set off against one another, the effective payments in February would be reduced by (101.5 - 44.2 =) RM 57.3 millions and the deficit of the Table would be transformed into a surplus of RM 22.8 millions.

The apparent surplus as shown by the Table stands at 83.6 millions for the first eleven months of the financial year, and at 447.8 millions if we include the surpluses from previous financial years assigned as cover for the expenditure of the current year. Taking into account the transfers still due to the Federal States for February, these figures are reduced to 39.4 and 403.6 million Reichsmarks.

2. As compared with November, the total receipts of the Ordinary Budget have decreased by 73.2 millions (receipts from taxation - 50.2 millions; administrative receipts - 23.0 millions); payments have decreased by 26.8 millions (general administrative payments + 10.8 millions; Reparation payments - 1.7 million; transfers to the Federal States - 35.9 millions).

3. The falling off in the Reparation payments shown in the Ordinary Budget is due to the transfer to the Extraordinary Budget of the reserve of the Commissioner of Controlled Revenues (see DOC. 243). The February payments are distributed as follows :

Ordinary Budget

Normal Budget Contribution	9.17	million RM.
Supplementary Budget Contribution	18.01	"
Transport Tax	22.52	"
Total :	49.70	"

Extraordinary Budget

Payment to the reserve of the Commissioner of Controlled Revenues	1.83 million RM.
Total :	51.53 "

II. Extraordinary Budget.

The payments of the Extraordinary Budget (other than Reparation payments) amount to RM 14.4 millions in February as against 16.6 millions in January, 40.8 millions in December and 63.9 millions in October. The total payments to be met out of loans at the end of February amounted to RM 517.2 millions; the table does not take into account the loan issued in February, the proceeds from which - approximating RM 450 millions - are intended to cover a part of these payments.

III. Resumé of the receipts and payments for the first eleven months.

The actual receipts and payments of the Ordinary and Extraordinary Budgets for the financial year 1926-1927 are as follows :

Payments	7 440.5 million RM
Receipts	7 006.9 "
Deficit	433.6 million RM

Taking into account the surpluses of the previous financial years assigned to the present financial year (part assigned to the eleven months = 364.2 millions), this deficit is reduced to RM 69.4 millions.

If all the actual receipts and payments are added together since April 1, 1926, in respect of both the current financial year and the financial year 1925-1926, we have the following figures :

Payments	7 841.4 million RM
Receipts	7 055.6 "
Deficit	785.8 million RM

The corresponding funds available in the Budget totalling RM 782.1 millions (surpluses from previous financial years 400.1 millions + sums carried forward from the financial year 1925-1926 382 millions) are therefore absorbed and leave a net deficit of RM 3.7 millions. If we take into account the net proceeds from the loan issued in February and approximating 450 millions, the available funds of the Reich would be brought back to a figure almost equal to the proceeds from the loan varying according as the proceeds become available. If to the loan are added the working funds amounting to 253 millions, the total available funds of the Reich would amount at the present time - in principle at least - to RM 700 millions approximately, and with the Postal Administration laon to RM 810 millions.

IV. Transfers to the Federal States.

The transfers to the Federal States amounted to RM 2 388.8 millions to the end of February, and RM 44.2 millions remained still due in respect of this month. The transfers for the first eleven months therefore amount to 2 433.0 millions. As regards March, if it is admitted that the quotas received by the States will be equal to those paid in December (RM 178.2 millions, see DOC.232), the latter would receive during 1926-1927 approximately RM 2 611.2 millions, that is to say, would receive on all the taxes subject to transfer* a sum slightly in excess of the amount which has in any case to be guaranteed in 1927-1928 for the three principal taxes alone (Income, Corporation, Turnover). The financial year 1926-1927 has nevertheless benefited during the earlier

* The lump sum transfers in respect of the Beer Tax are not included in these figures and are entered under the general administrative payments.

months by increased transfers in respect of the Turnover Tax, as the reduction in its rate - from 1 per cent to 0.75 per cent - was only felt in May 1926.

V. Possible surplus of the Ordinary Budget for the financial year.

As appears from the table, the surplus of the Ordinary Budget for the first eleven months amounted to RM 447.8 millions. The final surplus will depend on :

1. the results for the month of March,

2. the extent of the sums appropriated but not paid which will be carried forward from the current financial year to the financial year 1927-1928. These sums, which are added to the effective payments before the net surplus is obtained, have fluctuated in the case of the last two financial years between 380 and 400 million Reichsmarks. If it is assumed that this will apply to the current financial year, the surplus of 200 millions estimated for balancing the 1927-1928 Budget would require at the end of March a gross surplus of approximately RM 580 to 600 millions. It would therefore be necessary to obtain in March a surplus of more than RM 100 millions.

VI. Floating Debt.

The state of the floating debt as on February 28, 1927 shows no important alteration in the figures as at January 31.

(signed) L. GAILLET-BILLOTTEAU.

Translation 4295 (from the French): translated CFH: checked RB.
QW.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 6, 1927.

FINANCES OF THE REICH.

PUBLIC DEBT AS AT FEBRUARY 28, 1927.

(See DOC. 242)

I. The total figures of the public debt (not including the revalorised paper mark debt) were as follows as at February 28,1927, according to Wirtschaft und Statistik No. 6 1927. The details in regard to the figures are given in the Annex.

As at January 31, 1927	RM	2 169.8	millions
As at February 28, 1927	"	2 177.9	"
Increase during February	"	8.1	"

II. Variations in the different items.

The debt in Treasury Bonds is unchanged at RM. 20.8 millions.

The debt to the Rentenbank has fallen by RM. 2.2 millions, being the amount of the interest paid by the owners of the mortgaged land and devoted to the sinking fund.

The value in RM of the German External Loan 1924 has increased by 0.2 millions as a result of a rise in certain foreign currencies (Swedish crowns and Italian lire).

Under the heading "Miscellaneous", the increase from RM.100 to RM.110 millions in the loan from the Post Office (to which attention has already been drawn - see DOC. 247) is shown in the new statement.

(signed) L.G.B.

DEBT OF THE REICH.

(in millions of RM)

	January 31, 1927	February 28, 1927
I. TREASURY BONDS		
Paper marks	0.0	0.0
6 per cent redeemable in 1935	18.9	18.9
6 per cent redeemable in 1932	1.2	1.2
"K" Bonds	0.7	0.7
Together :	20.8	20.8
II. LOANS FROM THE BANKS		
Rentenbank	857.9	855.7
Reichsbank	208.4	208.4
Together :	1 066.3	1 064.1
III. EXTERNAL LOAN		
110 million Dollars	424.3	424.2
21.68 " Pounds sterling	429.0	429.0
25.2 " Swedish crowns	27.4	27.5
100 " Lire	17.4	17.8
15 " Swiss francs	11.8	11.8
Together :	910.0	910.2
IV. MISCELLANEOUS		
Obligations to pay	9.7	9.7
Guarantees	51.0	51.1
Loan to agriculture	12.0	12.0
Loan from the Post Office	100.0	110.0
Together :	172.7	182.8
GRAND TOTAL :	2 169.8	2 177.9

Transl. 4311.

DR.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 8, 1927.

REPORT OF THE DEUTSCHE RENTENBANK FOR 1926.

During the past business year the Deutsche Rentenbank was fully able to perform the duties devolving upon it under the Law concerning the Liquidation of Rentenbank notes in circulation, that is to say it was able conjointly with the Reich to provide the funds for redeeming the Rentenbank notes issued in connection with the Reich Loan, and further gradually to call in the "economic" credits originally issued to the amount of approximately 870 millions by the Reichsbank and the private banks of issue.

I. At the beginning of the year the Reich credit stood at RM. 1 077 646 990.69.

The following sums were paid into the sinking fund for this credit during the year under report :

under § 7 a :	Interest payments of the persons and concerns subjected to the agricultural charge	RM. 71 360 404.64
under § 7 b :	Payments of the Reich	60 000 000.00
	together :	RM. 131 360 404.64

In addition RM. 12 185 448.78 have been paid into the sinking fund under § 7 c, as representing the share of the Reich in the net profits of the Reichsbank.

II. Of the "economic" credits amounting to RM.586 889 722 at the beginning of the year, RM. 293 444 861 had to be liquidated during the year under report. At the outset this was facilitated by the fact that we transferred to the Deutsche Rentenbank-Kreditanstalt the greater part of the available funds existing at the end of the business year 1925, i.e. 38 millions (as mentioned in our previous Report) not in cash, but in claims to be liquidated, including 9 millions for agricultural improvements. The cash derived from the net profits thus remained in the coffers of the Deutsche Rentenbank and could be used for meeting all demands for repayment. During the year we also transferred to the Deutsche Rentenbank-Kreditanstalt a further RM. 15 100 000 of unrealisable bill claims against equivalent compensation. The liabilities of the Deutsche Rentenbank under the Liquidation Law have therefore been reduced by the Deutsche Rentenbank-Kreditanstalt to the extent of RM. 53 100 000 during the year under report.

Credits against bills were moreover considerably reduced by the expansion of the agricultural credit market. At the beginning of the business year it was still scarcely, if indeed at all, possible - with a Reichsbank rate of 9 and (from January 12 1926) 8 per cent! - to obtain real credits except in the form of 10 or 8 per cent Pfandbriefe, the realisable value

of which (especially the 8 per cent type) was considerably below par: but, as the year went on, the position of the mortgage bond market improved at first slowly, but during the second half of the year very distinctly, so that the institutions which handle these bonds were able to deal at 7 and in some cases even at 6 per cent. This improvement in the mortgage bond market is due partly to the general reduction in the rate of interest as a result of the exceptional liquidity of the money market, but also to the loans taken up by the Deutsche Rentenbank-Kreditanstalt (America loan and loans from funds belonging to the Golddiskontbank); from these two loans agriculture derived during the year under report not less than RM 340 000 000 of mortgage credits, for which no Pfandbriefe were placed on the internal market.

The increased development of real credits brought with it (especially during the second half of the year) extensive conversions of bill credits into real credits, thus reducing the liabilities of the Bank in respect of liquidation; in this connection the action of the Rentenbank-Kreditanstalt in setting off bill debts derived from funds of the Rentenbank or Rentenbank-Kreditanstalt against the mortgage credits granted out of the proceeds of the Rentenbank-Kreditanstalt's borrowing had a salutary effect, enabling us to obtain in advance a considerable portion of the credits to be liquidated (which were due to be paid to the Reichsbank on November 30), so that we only required to withdraw from agriculture approximately

RM. 130 000 000 in November, that is to say about the same amount as in the previous year.

The calling in of this amount was effected in spite of the continued difficult position in which agriculture found itself without any serious results, after we had first given suitable warning to the intermediary credit institutions as to the reduced liabilities to be met.

On November 30 we handed to the Reichsbank a cheque on our giro account with them for the sum due of

RM. 293 444 861.

III. In order further to liquidate the Rentenbank notes in circulation, the Reichsbank withdrew and destroyed down to the end of the year notes to the equivalent value of :

from the sinking fund	RM. 143 545 854
from the credits liquidated by us	293 444 861
together :	RM. 436 990 715

The Rentenbank notes in circulation at the end of the year still totalled RM 1 171 781 484. The denominations were 1 000, 500, 100, 50, 10 and 5 Rentenmarks. The Rentenbank notes for RM 1 and 2 were withdrawn in the course of the year and were not replaced as they had become superfluous owing to the minting of silver money on the part of the Reich. The Rentenbank notes for 1000, 500 and 100 Rentenmarks are old issues. Those for 50, 10 and 5 Rentenmarks are new notes issued to replace earlier notes. The 5 Rentenmark notes were issued in

the course of the year in place of the old worn notes of the same category which have in the meantime been withdrawn.

IV. In the liquidation of the credits the Deutsche Rentenbank has continued to adapt its rates of interest to the rates of interest fixed by the Reichsbank, and has allowed those credit banks which are removed by one or more stages from direct contact with the actual agricultural recipient a preference rate up to 1 per cent below the Reichsbank rate for the time being, a concession which affected some three-quarters of the current credits under liquidation. In order to bring about a reduction of interest rates and to protect the agriculturalist from being exploited, we followed our practice of the preceding year in laying down maximum rates inclusive of all commission and other charges, beyond which the agriculturalist was not to be charged. The working of this measure was tested at random, and generally speaking - although unfortunately not in all cases - may be said to have done a good deal to bring down the high rates of interest with which agriculture was formerly crushed. The following table shows the development of our interest rates for these credits throughout the year :

Reichsbank rate		Our rate as compared with intermediary credit banks	Maximum rate to the agriculturist including bill stamp
Until January 12	9 %	8-9 %	12 %
Since January 12	8 %	7-8 %	10½%
" March 27	7 %	6-7 % (from April 1)	9½%
" June 7	6½%	5½-6½%	8¾%
" July 6	6 %	5-6 %	8¼%

In the current year we have fixed our rate of interest for the intermediary credit banks at 4-5 per cent and our maximum rate for the agriculturalist at 7¼ per cent, to correspond with the reduction of the Reichsbank rate on January 11 1927 to 5 per cent.

V. Owing to the retirement of Geheimer Justizrat Rittergutsbesitzer Dietrich, Member of the Reichstag, and Rechtsanwalt Dr. Seelmann-Eggebert of the central association of German Raiffeisen cooperative banks, changes have taken place in the administration of the Deutsche Rentenbank. Both gentlemen have retired from the Managing Board and the Board of Control. They have been replaced by the former Regierungspräsident Baron Magnus von Braun and by Direktor Petry, Member of the Prussian Diet, on the Managing Board, and by Direktor Petry and Rechtsanwalt (lawyer) Hempel, Director of the central association of German Raiffeisen cooperative banks, on the Board of Control.

We suffered a heavy loss in the sudden death on September 28 of Geheimer Rechnungsrat Söhnen, our senior confidential clerk. His extensive knowledge and his devotion to duty have been greatly valued and will be loyally remembered by his colleagues.

CLOSING OBSERVATIONS.

We beg to make the following observations in regard to the various items of the Balance Sheet :

The charge on agriculture, the original capital and the holdings of Rentenbriefe are entered for the same figures as last year.

The Loan to the Reich has been reduced from RM. 1 077 646 990.69 to RM. 946 286 586.05 owing to the payments of the Reich and of the persons and firms subject to the agricultural charge which totalled RM. 131 360 404.64. The share of the Reich in the profits of the Reichsbank amounting to RM 12 185 448.78 which was also applied to the amortisation of Rentenbank notes, had to be entered once more under the item "amortisation in conformity with § 7 c of the Liquidation Law" for the same reasons as those given in last year's report.

The economic credits to be liquidated still amount to RM 293 444 861 and must be repaid or assumed by another party by December 1 1927. Under "other debtors" are included bill credits which are also in connection with the outstanding

"economic" credits, but do not require to be repaid by December 1 1927.

The item "cash, credit balances on Reichsbank giro clearing account and postal cheque account and balances with other banks" contains interest received on the outstanding credits, the credit balance shown under the liabilities in the balance sheet of the Deutsche Rentenbank-Kreditanstalt, whose funds are for reasons of expediency administered by the Deutsche Rentenbank, together with some of the reserves from profits and writings off which figure on the liability side. The remaining reserves from profits and writings off are entered under the items "bills" (these are private discounts) and "securities" on the asset side. The gold mortgage bonds (Pfandbriefe) purchased for the Pensions Fund are also entered under securities.

Bank premises, furniture and office fittings are entered for the same amount as last year.

The other assets are items of adjustment.

Under liabilities the Rentenbriefe in circulation are shown without change.

"Other liabilities" include payments effected in January 1927 for the year 1926 and interest received on securities in 1926 for 1927.

Of the sums written off to reserve in the previous year for printing new Rentenbank notes and for unforeseen expenditure, RM. 2 905 635.66 have been utilised, owing to the printing

of fresh notes to replace old notes. The printing of the new 5 RM notes had not yet been completed by the end of the year. This reserve should be built up again to the extent of the sum expended as we must expect further considerable expenditure in this direction in the future. For this reason the debtor side of the profit and loss account has been increased by a reserve corresponding to the amount expended and the item has been entered unchanged on the liability side of the balance sheet.

The Pensions Fund amounted to RM 1 040 000 after receipt of the RM. 500 000 derived from the net profit of the previous year, to which interest already received amounting to RM. 94 025.65 must be added. The Pensions Fund is invested in gold mortgage bonds (Pfandbriefe) of the Landschaften and such mortgage banks as transact agricultural loans. The Managing Board issued regulations during the year as to the Pensions Fund, which - without allowing a legal claim to persons in the service of the Rentenbank or to their survivors - contained instructions to the Managment to be followed as required. In important and doubtful cases the decision is reserved for the Managing Board.

The following further observations on the profit and loss account suggest themselves :

The costs of management have been shared proportionately between the Rentenbank and the Rentenbank-Kreditanstalt, between whom there is complete interchangeability of staff. This item includes all expenditure on salaries and allowances, cost of

meetings, rent and other overhead charges, expenditure on account of furniture and bank premises, and expenditure incurred in the detection of forgeries. It amounts for the Rentenbank for a staff of 164 persons in the service of both banks, including all auxiliary workers at the end of the year, and after the transfer of a lump sum of RM. 800 000 to the Rentenbank-Kreditanstalt, to RM. 616 160.31.

In regard to the interest on the agricultural charge, which had flowed direct into the Rentenbank under the old system prior to the coming into force of the Liquidation Law, reimbursements to the amount of RM. 89 808.78 were required according to the calculations of the Revenue Offices. These have accordingly been entered under expenditure.

The interest received on credits, short term investments and securities has been entered on the creditor side.

The profit and loss account shows a net profit of RM. 32 478 566.45.

Of this sum it is proposed to set aside and carry forward in accordance with § 9 of the Liquidation Law to the Rentenbank-Kreditanstalt RM 30 millions (half the sum of the previous year) by means of transfers of bill claims arising out of outstanding credits, and to place to reserve the balance of RM. 2 478 566.45 as further security for the fulfilment of the liabilities of the Rentenbank under the Liquidation Law, according to which RM. 293 444 861 have to be paid to the Reichsbank on November 30 1927: this balance is carried forward with the reserve out of profits for 1924/25.

The proposal thus to transfer bill claims arising out of outstanding credits instead of cash is intended to relieve the Rentenbank of a part of its heavy liquidation obligations and at the same time to assist agriculture. The amount of the outstanding credits to be liquidated in the autumn will thus be reduced by RM 30 millions. The Rentenbank on the other hand retains the cash portion of its net profits and can employ it to meet its liabilities next autumn.

THE MANAGEMENT OF THE DEUTSCHE RENTENBANK

KISSLER LIPP SZAGUNN

We agree with the foregoing report of the Managing Board and approve the proposal for the distribution of the net profit.

THE MANAGING BOARD AND BOARD OF CONTROL OF THE DEUTSCHE RENTENBANK.

LENTZE, President.

Translation 4316 (from the German): translated CFH: checked RB. CG.

B A L A N C E S H E E T

of the DEUTSCHE RENTENBANK

as at DECEMBER 31 1926

and

PROFIT AND LOSS ACCOUNT

as at DECEMBER 31 1926.

BALANCE SHEET OF THE DEUTSCHE RENTENBANK AS AT DECEMBER 31 1926.

ASSETS	RM.	LIABILITIES	RM.
Charge on agriculture for 2 000 000 000 fine gold marks	2 000 000 000.00	Original Capital Rentenmarks 2 000 000 000	2 000 000 000.00
Holdings of Rentenbriefe Fine gold marks 1 699 844 000	-	Rentenbank notes in circulation Rentenmarks 1 171 781 484	1 171 781 484.00
Loan to the Reich	946 286 586.05	Rentenbriefe in circulation Fine gold marks 156 000	156 000.00
Economic credits not yet liquidated	293 444 861.00	Amortisation in conformity with § 7 c of the Liquidation Law	67 793 963.46
Other debtors	8 749 360.73	Interest coupons of Rentenbriefe still to be redeemed Fine gold marks 3 025	3 025.00
Cash, credit balances on Reichsbank giro clearing account and postal cheque account and balances with other banks	84 423 663.51	Balances held by the Deutsche Rentenbank-Kreditanstalt	25 557 764.13
Bills	3 526 176.10	Other liabilities	28 819.49
Securities	3 289 709.05	Written off to reserve : for printing new Rentenbank notes and other unforeseen expenditure	5 000 000.00
Bank premises	300 000.00	for assistance to officials (Pensions Fund)	1 134 025.65
Furniture and fittings	1.00	Reserve out of profits carried forward from 1924/25	36 160 115.60
Other assets	73 406.34	Net profits	32 478 566.45
	3 340 093 763.78		3 340 093 763.78

DOC. 249

PROFIT AND LOSS ACCOUNT OF THE DEUTSCHE RENTENBANK AS AT DECEMBER 31 1926.

Dr.	RM.	Cr.	RM.
Costs of management	616 160.31	Interest on credits granted and short term investments	35 943 376.65
Interest on Rentenbriefe	5 500.00	Interest from securities	152 294.55
Re-imbursed interest on the agricultural charge	89 808.78		
Sums written off to reserve: for printing new Rentenbank notes and other unforeseen expenditure	2 905 635.66		
Net profits	32 478 566.45		
	36 095 671.20		36 095 671.20

I.I.9.4142

DOC. 250

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 8, 1927.

MANAGEMENT AND BUSINESS REPORT

of the

DEUTSCHE RENTENBANK KREDITANSTALT

(Central bank of Agriculture)

Second business year 1926.

As regards credit the year under review brought considerable relief to German agriculture not only in the shape of a very considerable reduction in the rates of interest on personal credit, but also in the form of a marked cheapening of mortgage loans as compared with the previous year. In fulfilling its task, viz. that of procuring both kinds of credit for agriculture on the lowest possible terms and further - in collaboration with the Rentenbank - of facilitating the repayment of the outstanding credits due for liquidation, the Rentenbank Kreditanstalt has succeeded to a considerable extent in alleviating the agricultural credit shortage, as will be seen from the following report.

Our "personal credit" transactions have undergone an important change in as far as, in accordance with the decision of its general meeting on March 30, 1926, (§ 9 of the Liquidation Law) the Rentenbank transferred bill claims to us to the value of RM 29 millions in round figures. Further in the course of the year we acquired bill claims to the value of RM 15 millions in round figures in return for an equivalent payment. In the

course of the year a number of bill credits were repaid, principally out of newly raised mortgage credits, with the result that at the end of the year the amount outstanding under the heading "Debtors", including the RM 9 millions of small peasants' credits mentioned elsewhere, totalled RM 209 millions as against RM 169 millions at the end of the preceding year.

The development of interest rates from the stabilisation of the currency to the period under review is shown by the following table :

Reichsbank rate	Our interest rates for our Customers (i.e. agricultural banks &c.)	Maximum interest rate chargeable to the ultimate recipient (i.e.the agriculturalists) excluding bill stamps.
From December 29 1923 10 %	From September 20 1924 9 - 10%	13 %
" February 26 1925 9 %	" March 1 1925 8 - 9 %	12 %
" January 12 1926 8 %	" January 12 1926 7 - 8 %	10½%
" March 27 1926 7 %	" April 1 1926 6 - 7 %	9½%
" June 7 1926 6½%	" June 7 1926 5½- 6½%	8¾%
" July 6 1926 6 %	" July 6 1926 5 - 6 %	8¼%
" January 11 1927 5 %	" January 11 1927 4 - 5 %	7¼%

From the above it will be seen that we have reduced interest continually parallel with the movement of the Reichsbank rate, and in particular it should be noted that the bulk of our credits have been granted to customers at 1 per cent below the

Reichsbank rate, so as to keep the maximum interest rates, as fixed from time to time, at as low a figure as possible for the agriculturalist. Although up to the present the maximum rate has unfortunately been found to have been exceeded in some cases, and even to a considerable extent on occasion, nevertheless the measures adopted by us (in agreement with our immediate customers) to counteract such tendencies have brought about a considerable improvement.

As regards the duration of the credits granted, we have also taken the requirements of agriculture into account to a far reaching extent. After granting our customers an extension of personal credits early in 1926 to the end of February 1927, a further extension to October 1, 1927 was again granted in November 1926.

With a view to extending the favourable terms of the Golddiskontbank credits to include <u>small and medium sized agricultural undertakings</u>, while simultaneously sparing them the technically complicated and relatively costly procedure of direct mortgaging the Managing Board decided in May/June 1926 to make funds available, to be granted to the smallest agriculturalists in individual sums up to RM 1 000 as credit at an annual interest of 7¾ per cent; such credit to be given mostly through the co-operative societies (Preussische Zentralgenossenschaftskasse) and the savings banks (Girozentrale). The security for these institutions was to consist of promissory notes to be given by the agriculturalists, with of course additional security according to the circumstances of each case in the shape of guarantees or mortgage collateral. Accordingly we for our part did not demand

bill collateral. The co-operative societies and savings banks issue collective bills for the totals of the individual credits, and these collective bills are passed on in the usual manner to the Rentenbank Kreditanstalt. They run for six months and are always extended in such a manner that the agriculturalist has the advantage of being able to repay in three instalments, in the same way as the debtors under the Golddiskontbank loan; earlier repayments are also accepted. Up to December 31 1926 RM 9 101 000 of the available RM 9 885 000 had been taken up. In January of the current year the interest rate was reduced to 6¾ per cent, with retroactive effect as from December 1 1926.

Up to the end of 1926 RM 15 millions were made available for agricultural improvement credits. Of this sum RM 9 millions were taken over by the Rentenbank by way of a transfer of capital from its net profits of 1925, while we took over RM 3 millions from the Rentenbank as a debit item. The Reich is still our debtor in respect of these 12 millions: the further 3 millions we have placed at the disposal of the Deutsche Bodenkultur A.G., Berlin, which the Government of the Reich (§ 3 lc) designated for the purpose. As the Deutsche Bodenkultur A.G. produces security in respect of this credit (which at present stands in our books only as a credit to the Reich) as provided in the Statutes or in the credit agreement - the same security has also been stipulated for the RM 3 millions lent directly to the Company - the Reich's credit will gradually be transferred

to it. Our interest rate for agricultural improvement loans, which was 6 per cent until July 1 1926, and subsequently 5 per cent, was reduced to 4 per cent as from January 1 1927. The "spread" between this figure and the figure at which the money reaches the customers of the Bodenkultur A.G. has been reduced from 1 per cent at which it originally stood to ½ per cent. Repayment of the total credits granted is due in instalments of RM 3, RM 9 and RM 3 millions respectively on November 30 1932, 1933 and 1938.

In addition, in order to promote individual reclamation of waste land, the sum of RM 400 000 was made available for a period of ten years at 5 per cent per annum against appropriate security, on condition that the individual owner does not pay more than 6 per cent. As from March 1 1927 our interest rate has been reduced to 4½ per cent and the maximum rate to 5¼ per cent.

Lastly the sum of RM 1.2 millions, including a first grant of RM 200 000 to Prussia in 1925, bearing interest at 5 per cent per annum for a period of five years, was placed at the disposal of the Federal Governments to promote the cultivation of osiers. In some parts of the Reich this crop provides raw materials for a not insignificant branch of German industry, but in many places - as a result largely of the new frontiers - there has been a very considerable falling off. The Federal States themselves give only the smallest grants for this object.

The distribution as between the several States was effected in agreement with the Ministry of Agriculture of the Reich.

After difficult negotiations, conducted since the autumn of 1925 under the auspices of the Ministry of Agriculture, the Finanzierungsgesellschaft für Landkraftmaschinen A.G. (Company for the financing of Agricultural Motor Machinery) was founded at the beginning of July 1926 with its head-quarters in Berlin and a capital of RM 2 millions.

The object of the concern is to finance credits for the purchase of motor ploughs and other agricultural machinery, to promote the activity of all branches of industry connected therewith, and to further all measures calculated to improve and cheapen such machinery.

As the purpose of the Company was confined exclusively to the promotion of agricultural interests, it was necessary with a view to the fulfilment of this purpose to the utmost possible extent to ensure that agriculture should exercise a preponderating influence on the Management of the concern, and to this end a proportionate degree of financial participation on the part of agriculture was essential. As it was not found possible to raise the necessary funds in agricultural circles, no other possibility remained, if the scheme was not to fail at the eleventh hour, but participation by the Rentenbank Kreditanstalt, as being the central credit institution for the whole of German agriculture. Accordingly the Rentenbank Kreditanstalt acquired an interest in the concern to the extent of 50 per cent of the share capital;

the remaining half was taken over by the following banks and institutions:

Deutsche Girozentrale (Deutsche Kommunalbank),
Preussische Zentralgenossenschaftskasse,
Reichskredit-Gesellschaft,
Commerz- und Privatbank,
Deutsche Bank,
Direction der Diskonto-Gesellschaft,
Dresdner Bank.

Each of these seven institutions has a representative on the Board of Control on which the following are also represented:

the Ministry of Agriculture and Food of the Reich,
the Ministry of Finance of the Reich,
the Deutsche Landwirtschaftrat,
the Reichslandbund,
the Reichsverband der deutschen landwirtschaftlichen Genossenschaften,
the Vereinigung der deutschen Bauernvereine,
the Generalverband der deutschen Raiffeisengenossenschaften
(one representative each),
the Deutsche Rentenbank-Kreditanstalt (by two members of the Managing Board).

At the start there was some doubt as to the possibility of the Rentenbank-Kreditanstalt being able to acquire an interest in the Finanzierungsgesellschaft für Landkraftmaschinen A.G.,

owing to the fact that no express provision was made in the Law when defining the activities of the Rentenbank-Kreditanstalt for the acquisition of shares in other concerns. On the other hand the possibility was offered under § 11 paragraphs 4 and 5 in conjunction with § 2 of the Law of utilising the net profits (in so far as available) "for the purposes of German agriculture in all its branches". As it was already certain when the Finanzierungsgesellschaft für Landkraftmaschinen A.G. was founded that a sufficiently large proportion of the net profit on the business year 1926 would be available for the purpose, the Managing Board decided to acquire the shares subject to the consent of the General Meeting of the Rentenbank-Kreditanstalt. In a communication dated June 30 1926 the Government of the Reich declared that its consent would be granted in the event of the General Meeting pronouncing a decision to that effect. The consent of the General Meeting will be sought.

In the "real credit" business the first half of the year under review saw the complete investment of the proceeds of our American loan (nominally RM 105 millions), of which only RM 68 067 725 had been placed (in gold mortgage loans) by the end of 1925. The maximum amount which had to be retained until redemption of the revalorisation mortgages had been effected was RM 3.2 millions in round figures, that is to say about 3 per cent of the cover. The whole of the American loan was covered by first mortgages at the prescribed date in conformity with the terms of our agreement with the National City Company.

Individual loans to the number of 6 975, for amounts averaging RM 15 056 apiece, were granted out of the American loan: including mortgages from own funds the individual loans totalled 7 378, the average amount being RM 14 700.

Within the framework of our agreements with the American lenders the text of § 2 had to be altered, the following addition being made :

(§ 2 paragraph 3) "The covering mortgages (paragraph 2) may not exceed 50 per cent of the adjusted Wehrbeitrag value of the encumbered property as assessed for the Vermögensteuer (Tax on Real and Personal Property) of 1924. Where the correct value of the Wehrbeitrag has not been determined, or cannot be determined, or where in an individual case or in general it no longer seems to afford a suitable basis for calculating the value of the landed property, another official standard of value or the value calculated according to the legal or statutory rates for securities of the institutions enumerated in § 4 paragraph 1 of the Law concerning the establishment of the Deutsche Rentenbank Kreditanstalt may be substituted."

This alteration was accepted by the General Meeting of March 30 1926 and was approved by a written communication from the Government of the Reich dated June 16 1926.

The terms of our American loan (interest of 7 per cent with a discount of nearly 14 and no redemption for ten years) -

though more favourable than those of other German loans abroad at the time - are too high in the light of subsequent developments; but it must be remembered on the other hand that at the turn of the year 1925/26 the agriculturalist was still borrowing on 10 per cent Pfandbriefe and during the greater part of the year under review on 8 per cent Pfandbriefe, which - apart from the shorter time limit - were and are much less favourable terms. The situation was only alleviated with the introduction of the 7 per cent Pfandbriefe; but only small quantities of these were placed. Whether the introduction in the new year of 6 per cent Pfandbriefe on the existing terms of issue will lead to extensive mortgaging and whether it will always be possible to find a market for these 6 per cent bonds, are questions to which it is not yet possible to give an answer.

Unfortunately the liquidation of the credits given out of the Golddiskontbank loan has proved to be a much more protracted affair than was originally to be expected and more particularly than was to be desired in the interests of the speedy liberation of agriculture from high rates of interest. Apart from the difficulty of complying with certain stipulations of form - some of which it was possible to mitigate later in agreement with the Golddiskontbank - and apart from the delays in registration caused by the fact that the offices of the Land Register are overburdened with revalorisation arrears, the effort (in itself indubitably correct) to use the Golddiskontbank credit as much as possible for the benefit of the small and

medium sized undertakings has resulted in such a vast amount of detailed work for all the offices concerned that the delays in the completion of the liquidation are not surprising.

Of the total sum of RM 360 millions nominal available from the Golddiskontbank credit, some RM 300 millions were paid out in return for the prescribed cover by the end of 1926 in the form of 34 978 individual mortgages, the average loan thus being RM 8 576.

By agreement with the Golddiskontbank February 28 1927 was fixed as the last day on which the real credit institutions might hand in the securities still required in respect of RM 60 millions. Even on that date however mortgage securities to the extent of only RM 330 000 000 had been sent in, so that we were obliged to grant extensions of the time limit in order that the money and time expended on so many applications might not have been spent in vain. In this connection it is as well to point out once again that from the start the Golddiskontbank credit was intended as a transition measure and was constructed accordingly. The short call facilities afforded to the agriculturalist enable him at any time to pay off the credit by purchasing and handing in bonds at par (where such are to be had), if he considers that he can obtain credit on better terms from some other source.

On April 18 1926 we applied to the Ministry of Justice of the Reich for acceptance of our 7 per cent mortgage bonds as a trust investment. Our application was granted by the Reichsrat

on August 12 for a sum not exceeding RM 360 000 000 and was published in the Reichsgesetzblatt No. 54 (Ministry of Justice of the Reich). Our application was strongly opposed by mortgage banks and real credit institutions on the ground that the acceptance of our mortgage bonds as a trust investment by the Reich would narrow the market for Pfandbriefe which are not so accepted, or are accepted only in individual states, which would on general economic grounds be undesirable. These objections (which from the start we did not share) have proved to be without foundation, as our bonds have not reached customers who deal in Pfandbriefe. On the contrary our loans relieved the Pfandbrief market to a marked extent over a considerable period until circumstances in the shape of the exceptional cheapness of the money market enabled it (especially during the second half of 1926) to develop to a quite unexpected degree, irrespective of whether the Golddiskontbank loans were liquidated or not. In the process which was proceeding simultaneously of reducing interest and other charges (commission, contribution to costs of management &c.) the low and at the outset unparalleled terms of the Rentenbank-Kreditanstalt played a useful part in preparing the ground. Further it may reasonably be doubted whether the Pfandbrief market could have met agricultural needs in all parts of Germany to such an extent and on so large a scale - in particular the needs of the smaller and smallest holdings - had it been alone in the field.

In order to facilitate the sale of our bonds abroad, it was necessary to apply for their exemption from the "restricted" liability to income tax (Kapitalertragsteuer) within the meaning of § 115 of the Income Tax Law. This exemption was granted in a letter from the Finance Minister of the Reich dated December 16 1926 in respect of a block of RM 150 000 000 (series XVIII - XXVII), in so far as the series were placed abroad.

We referred last year to the Trustee administration of the mortgages serving as cover for our loans. At the time of writing this report there are sixty district trustees in the whole Reich and five principal trustees in Berlin at work on this business. They are appointed upon our proposal by the Reichsbank in its capacity of Supervisory Trustee of the American Loan and in agreement with the Ministry of Agriculture and Food of the Reich and are paid by the Rentenbank-Kreditanstalt. The Trustees are responsible for seeing that the mortgages agree with the legal conditions, with the regulations in respect of loans of individual credit institutions, and with the terms of the agreements concluded with our creditors.

At the wish of the National City Company we had to give a guarantee against injury to the assets secured by the mortgages through faulty administration on the part of the Trustees.

Tables are appended to this Report, showing the distribution of real credits per head of the debtors and according to the size of their undertakings (classed according to size).

In order to promote peasant settlements in thinly populated areas, the Reich in the summer of 1926 made the sum of RM 250 millions available in five annual instalments of RM 50 millions each as a provisional credit until such time as permanent real credit facilities become available. These funds are devoted to the development of certain areas in Prussia, Bavaria and Saxony and are utilised for purchase of the land for settlement(purchase credits), for improving the land and erecting buildings, for initial establishment of settlers whose own means are insufficient. The credits are granted in conformity with the lines laid down by the responsible committee of the Reichstag, by the Settlement Committee of the Rentenbank-Kreditanstalt on which the Reich, the Federal State concerned and the Rentenbank-Kreditanstalt are represented by two members respectively; the Rentenbank-Kreditanstalt presides over the Committee. The ultimate decision in respect of the applications for credit submitted to it rests with the Committee.

In September 1926 at the request of the Reich we took over the conduct of the work of the Committee and the Trustee administration of the funds of the Reich set aside for settlement purposes. Of the funds transferred to us till the end of the business year, RM 14 274 148.98 were used by the Committee in 1926 principally for "purchase credits". The money was made available as the required securities were produced to a total of RM 9 034 670.40 at the closing date.

The intervention of the Rentenbank-Kreditanstalt has not resulted in raising the cost of settlement credits.

The activities of the Rentenbank-Kreditanstalt during the year under review once again served to show its importance to all branches of German agriculture. In the first place by taking over RM 44 millions of not readily realisable bills and RM 9 millions of improvement credits (see above), viz. total RM 53 millions, from the Rentenbank the Kreditanstalt facilitated the redemption of Rentenbank notes by the latter in a marked degree, so that it was unnecessary for agriculture to find the funds to meet the bills to this amount in November 1926, as it would otherwise have had to do. Secondly, the mortgage credits based on our two loans (totalling altogether up to December 31 1926 about RM 408 millions nominal, with loans to the value of RM 340 millions for the year 1926 alone) made it possible for many thousands of agriculturalists to transform costly bills or commodity liabilities into very much cheaper funded debts at what - in the case at any rate of the Golddiskontbank credits - were very short periods.

Further, the importance of the RM 9 millions made available for small peasants' credits, the RM 16.6 millions of improvement credits for promoting cultivation of the soil, the cultivation of waste land and the osier crop and the further sums granted for seed culture and as interim credits until permanent mortgages of agricultural holdings are again possible,

must not be under-estimated.

Maximum rates of interest for the protection of agriculturalists coupled with generous treatment in the matter of the duration of the credits were the rule in the case of these special credits as also in the case of the personal credits to the agriculturalists. The Rentenbank-Kreditanstalt was in a position to do this because it employs only its own funds for the purpose. The Rentenbank-Kreditanstalt - in addition to personal and real credits in the ordinary course - is in fact in a position to give valuable assistance to agriculture in a number of special ways where others would be unable with the best will in the world to do so.

The following observations may be made with regard to the balance-sheet and the profit and loss account:

"Credit balances with the Rentenbank" comprise only RM 3.3 millions of our own money, the remainder being money provided for settlement purposes by the Reich.

"Securities" chiefly represent our own holdings of bonds of the dollar loan acquired for Sinking Fund purposes, as well as fixed interest-bearing securities deposited with the Reichsbank as special cover for the bond-holders (§ 11, 3 of the Law).

Our "Shareholdings in other institutions" include the RM 1 million nominal of shares held by us in the Finanzierungsgesellschaft für Landkraftmaschinen A.G.

In addition to the mortgages taken up from the proceeds of the American loan as cover for the same, we have purchased similar mortgages to the value of RM 3 362 308.67 with our own funds as a reserve in cases where for one reason or another it may be necessary to replace the covering mortgages.

Up to December 31 1926 only RM 240.9 millions of 7 per cent bonds had been issued in virtue of the RM 299 962 988 of the cover mortgages for the Golddiskontbank loan. For the time being we had funds of our own available for payment of the balance of the mortgages to the value of RM 59 062 988 nominal.

The "Costs of Management", which comprise the whole of the personal and material costs together with Directors fees etc. and cost of meetings, include RM 800 000, which we took over as a lump sum from the Rentenbank. The fact that the bulk of the costs of management of both institutions is borne by the Kreditanstalt, is due to the fact that the work of the Rentenbank-Kreditanstalt has far outgrown that of the Rentenbank.

The margin between the interest paid by us on our loans and charged by us for what we loan to others of the proceeds is explained by the fact that for a long time we lent large sums on mortgage out of our own funds before we had to give bonds to the Golddiskontbank, and to the fact that we pay no interest on mortgages out of our own funds issued under the terms of the American loan.

As opposed to the costs of the two loans (stamps, cost of

issue, Trustees' fees and insurance) amounting to RM 3 693 224.87 there are receipts from contributions to the costs of management etc., amounting to RM 1 890 880.37; but in this connection it must be taken into account that appropriate reserves adjusted to the duration of the loan have been set aside for subsequent years under the item "other liabilities" the receipts from the Golddiskontbank loan being of course a non-recurrent item.

Of the "Net profit" remaining		RM 13 598 304.52
there must be set aside		
at least 25 per cent for the principal reserve in accordance with § 11, 2 of the Law	RM 3 399 576.13	
and at least 33 per cent for the special reserve in accordance with § 11,3 of the Law	" 4 532 768.17	" 7 932 344.30
	Balance	RM 5 665 960.22
Of the balance of		RM 5 665 960.22
we propose to set aside		
a special reserve to be created in respect of the interests acquired in the Finanzierungsgesellschaft für Landkraftmaschinen A.G.	RM 1 000 000.00	
and to grant		
for the creation of a welfare fund (pension fund)	" 250 000.00	" 1 250 000.00
The balance of		RM 4 415 960.22

we likewise propose to utilise for special reserves in accordance with § 11, 3, on the ground that the special reserves should be

brought up to the prescribed proportion (5 per cent) as soon as possible, so that later on the unencumbered net profit and the portions of the special reserves liberated by degrees as bonds are redeemed and repaid may be devoted to other purposes. It is as well to add here that the special reserve for the American loan must reach 5 per cent of the bonds still outstanding as at June 30 1928 on that date - which is to say, approximately RM 5 millions. As against the sums previously set aside for the two special reserves (RM 3 978 560.75 in 1925 and RM 4 532 768.17 in 1926, together RM 8 511 328.92), there are total requirements exceeding RM 20 millions, so that our proposal to set aside the balance of RM 4 415 960.22 for these reserves is entirely justified.

The proposed utilisation of the net profit will only tie up our working funds to the extent to which the special reserve for the American loan requires to be covered by securities.

During the year under review Geheimer Justizrat Rittergutsbesitzer Dietrich, Member of the Reichstag, Rechtsanwalt (lawyer) Dr. Seelmann-Eggebert, Member of the Prussian Diet and Member of the central association of German Raiffeisen cooperative societies, and the former Minister of State Professor Dr. Fehr of the Arbeitsgemeinschaft der Organisationen landwirtschaftlicher Klein- und Mittelbetriebe (central body of small and medium agricultural undertakings), have resigned from the Managing Board. Their places have

been taken by

Baron Magnus von Braun, former Regierungspräsident,

Emil Wiglow, Member of the Governing body of the Raiffeisenbank A.G., Member of the Prussian Diet,

Wilhelm Schmidthals, land owner, Member of the Reichswirtschaftsrat.

Staff. As regards staff, at the time of writing there are employed in the two institutions (Rentenbank and Rentenbank-Kreditanstalt), in addition to the three members of the Managing Board and five managing clerks, 156 employees including domestic staff.

We would like to take this opportunity to refer to the death, which took place on September 28 1926, of Geheimer Rechnungsrat Hubert Söhnen, who by his expert knowledge and enthusiasm has always served the interests of both institutions in his capacity as confidential managing clerk. His memory will always be honoured.

THE MANAGEMENT

OF THE DEUTSCHE RENTENBANK-KREDITANSTALT

LIPP KISSLER SZAGUNN.

We agree with the above report and with the proposal of the Management for the distribution of the net profits.

THE MANAGING BOARD

OF THE DEUTSCHE RENTENBANK-KREDITANSTALT

The President

LENTZE.

Translation 4317 (from the German): translated UP: checked RB.

BALANCE-SHEET OF THE DEUTSCHE

(Central Bank of Agriculture)

A S S E T S	RM.
Cash in hand, giro clearing account deposits with the Reichsbank and Postal cheque deposits	1 084 322.68
Credit balances ~~Deposits~~ with the Rentenbank	25 557 764.13
Foreign exchange (Devisen)	2 380 599.16
Securities	7 479 188.83
Share-holdings in other institutions	1 000 000.00
Personal credits including small peasants' credits	209 387 702.32
Mortgage loans	
from funds of the American Loan in gold marks	103 380 680.58
from own funds on the same terms	3 362 308.67
from Golddiskontbank loan funds	240 900 000.00
for the time being from own funds on the same terms	59 062 988.00
Agricultural improvement credits	15 454 865.85
Agricultural settlement credits from funds of the Reich	9 037 871.75
Share in interest on mortgage loans	8 297 645.31
Other assets	899 479.83
	687 285 417.11

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RENTENBANK-KREDITANSTALT

as at DECEMBER 31, 1926.

LIABILITIES		RM.
Capital		280 000 000.00
Principal reserve		1 326 187.00
7 per cent bonds United States loan		
	$ 25 000 000	
redeemed	$ 388 000	
	$ 24 612 000	103 370 400.00
Special reserve for the above		3 075 282.00
7 per cent mortgage certificates		240 900 000.00
Special reserve for the above		903 278.75
Outstanding to the Reich (Ministry of Labour of the Reich)		31 228 700.00
Share in interest on bonds and mortgage certificates		9 839 354.00
Other liabilities		3 043 910.84
Net profit		13 598 304.52
		687 285 417.11

PROFIT AND LOSS ACCOUNT

OF THE DEUTSCHE RENTENBANK-KREDITANSTALT AS AT DECEMBER 31 1926.

Dr.	RM.	Cr.	RM.
Cost of Management	958 690.92	Interest from credits and short-term investments . . .	12 257 926.04
Stamps, costs of issue and other payments in respect of the American and Golddiskontbank loans	3 693 224.87	Interest on securities and foreign exchange (Devisen) .	603 839.81
Interest on the American and Golddiskontbank loans	15 055 983.15	Interest on mortgage loans .	18 553 557.24
Net profit	13 598 304.52	Contributed to costs of Management	1 890 880.37
	33 306 203.46		33 306 203.46

DOC. 250

AMERICAN LOAN AND OWN FUNDS

Distribution according to amounts (up to December 31 1926)

	Reichsmark	Number of undertakings.	Per cent	Together				
				Groups 1 to 3	Groups 1 to 4	Groups 1 to 5	Groups 6 to 8	Groups 7 to 8
1.	1 to 1 000	405	5.49	(4 320 under-takings) or (58.55 %	(5 730 under-takings) or (77.66 %	(6 639 under-takings) or (89.98 %		
2.	1 001 " 3 000	2 518	34.13					
3.	3 001 " 5 000	1 397	18.93					
4.	5 001 " 10 000	1 410	19.11					
5.	10 001 " 25 000	909	12.32					
6.	25 001 " 100 000	545	7.39				(739 under-takings) or (10.02 %	194 under-takings) or (2.63 %
7.	100 001 " 200 000	128	1.74					
8.	over 200 000	66	0.89					
		7 378	100.00					

Number of undertakings on which funds have been lent classed according to size.
(to December 31 1926).

Size	Number of undertakings	Per cent
(Hectares)		
Under 2	181	2.45
From 2 to 5	712	9.65
" 5 " 20	3 108	42.13
Up to 20 inclusive	4 001	54.23
From 20 to 100	2 680	36.33
Over 100	697	9.44
	7 378	100.00

GOLDDISKONTBANK LOAN

Distribution according to amounts (to December 31 1926)

	Reichsmark	Lots	Per cent	Together				
				Groups 1 to 3	Groups 1 to 4	Groups 1 to 5	Groups 6 to 7	Groups 7 to 8
1.	1 to 1 000	2 418	6.91	(23 581 undertakings or (67.41 %	(29 808 undertakings or (85.22 %	(32 818 undertakings or (93.83 %		
2.	1 001 " 3 000	16 507	47.19					
3.	3 001 " 5 000	4 656	13.31					
4.	5 001 " 10 000	6 227	17.81					
5.	10 001 " 25 000	3 010	8.61					
6.	25 001 " 100 000	1 752	5.01				(2 160 undertakings or (6.17 %	408 undertakings or (1.16 %
7.	100 001 " 200 000	355	1.01					
8.	over 200 000	53	0.15					
		34 978	100.00					

Number of undertakings on which funds have been lent classed according to size.

(to December 31 1926).

Size	Number of undertakings		Per cent	
(Hectares)				
Under 2	1 436		4.11	
From 2 to 5	4 330		12.38	
" 5 " 20	13 309		38.04	
Up to 20 inclusive		19 075		54.53
From 20 to 100		12 700		36.31
Over 100		3 203		9.16
		34 978		100.00

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 20, 1927.

THE BALANCE SHEET OF THE RENTENBANK

AS AT MARCH 31, 1927

(see DOC.241)

The following is the comparison between the balance sheet of the Rentenbank as on March 31 1927 and the balance sheet as on February 28 1927 :

	Balance sheet of March 31 1927 (in Rent.M.)	Difference as compared with that of February 28 1927 (in Rent.M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.-	-
Rentenbriefe as on Feb.28,1927 Rent.M.1 699 844 000 as on March 31," " " 1 699 844 000		
Loans to the Reich	921 957 379.03	- 1 564 179.75
Outstanding credits	279 444 861.-	- 14 000 000.-
Other "debtors"	7 950 140.89	+ 273 310.71
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	80 025 876.93	+ 12 030 518.76
Real property of the Bank	325 000.-	-
Office furniture and supplies	95 878.49	+ 551.50
Miscellaneous assets	3 413 723.90	+ 110 956.65
L I A B I L I T I E S		
Capital	2 000 000 000.-	-
Rentenbank notes in circulation	1 129 246 903.-	- 19 769 554.-
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338.40	+ 4 205 374.94
Rentenbriefe in circulation	156 000.-	-
Credit of the Rentenbank Credit Institution	13 767 338.81	+ 11 336 565.13
Carried forward	36 160 115.60	-
Reserves	6 145 901.05	+ 13 075.40
Miscellaneous liabilities	624.50	- 63.-

In March 1927 the following sums were paid into the sinking fund established at the Reichsbank :

a) Rentenmarks 1 564 179.75 in respect of interest payments by the owners of mortgaged land;

b) Rentenmarks 4 205 374.94 representing the share of the Reich in the profits made by the Reichsbank in 1926;

c) Rentenmarks14 000 000.- in respect of liquidated credits (§ 11 paragraph 5 of the Law on the Liquidation of Rentenbank Notes).

The item "Loans to the Reich" is reduced by the amount of payment a) and the item "Outstanding credits" by the amount of payment c); payment b) appears as an equivalent increase in the item relating to the redemption of Rentenmarks under Liabilities.

Since the application of the Law on the Liquidation of Rentenbank Notes (October 11 1924), the following sums have been paid into sinking fund :

Rentenmarks	143 042 620	in virtue of § 7a of the Law
"	135 000 000	" " " § 7b " " "
"	71 999 338	" " " § 7c " " "
"	600 889 722	" " " § 11 " " "
Total	950 931 680	Rentenmarks

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, April 23, 1927.

TAX RECEIPTS OF THE REICH

for March 1927 and for the financial year 1926-27

(see DOCS. 188 and 244.)

The Deutscher Reichsanzeiger No. 90 of April 18, 1927 publishes the summary of the Tax Receipts of the Reich for March 1927.

Table I. AGGREGATE TAX RECEIPTS

The following table shows the receipts from the different categories of taxes in March 1927 and in the financial year 1926-27.

(in million RM)

	Estimated Receipts		Receipts collected						
			Financial year 1926/27						
	Financial year 1926-1927	Monthly average	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	December 1926	March 1927	From April 1, 1926 to March 31, 1927
			Monthly average						
I. Taxes on income, sales, transport, etc.									
a) recurrent	4 476.0	373.0	319.7	417.8	415.2	401.93	323.5	303.4	4 663.9
b) non-recurrent	30.-	2.5	4.7	2.9	6.1	2.29	3.0	2.2	48.1
II. Customs and taxes on tobacco, beer, etc.									
a) assigned	1 907.-	158.9	153.7	210.3	219.4	218.40	236.7	232.5	2 405.4
b) other	52.3	4.4	6.9	3.8	3.8	4.18	4.1	3.8	56.1
III. Miscellaneous	-	-	-	-	-	-	-	-	0.2
IV. Aggregate increase in returns from taxation	219.8	18.3	-	-	-	-	-	-	-
TOTAL	6 685.1	557.1	485.0	634.8	644.5	626.82	567.3	541.9	7 173.7

Receipts are always rather small in the third month of each quarter owing to the absence of anticipatory payments. Receipts in March total 541.9 millions and fall short of those of December 1926 by 25.4 millions (567.3 millions). Hitherto the March receipts have always been smaller than those of the preceding December; in March 1927 however receipts exceeded those of March 1926, which were particularly small owing to the economic crisis, by 99 millions.

II. The actual receipts for the financial year 1926-27 exceeded by 488.6 millions the estimated receipts after adding to the estimated receipts RM 219.8 millions voted as an undistributed lump sum increase of taxes under the supplementary budget of January 8 1927. The actual receipts exceeded the original estimates by RM 708.4 millions, the increase being distributed as follows:

	(million RM)	
Recurrent taxes on income, sales, transport, etc.....	+ 187.9	or 4 per cent approximately
Non-recurrent taxes on income, etc.	+ 18.1	" 60 per cent
Customs & taxes on tobacco, beers, etc. (assigned).....	+ 498.4	" 26 " "
Other taxes on consumption.....	+ 3.8	" 7 " "

III. As in the financial year 1925-26 the distribution of the burden of taxation has continued to shift but less rapidly than before. Recurrent Taxes on income, sales, transport, etc. play a smaller part in the total receipts, while assigned Customs and Taxes on tobacco, beer, etc. show increased returns.

	Receipts collected Financial year		
	1924-25	1925-26	1926-27
	(per centage of total receipts)		
Recurrent taxes on income, sales, transport etc.....	78	70	65
Assigned Customs and Taxes on tobacco, beer, etc.....	19	27	34

The change in the distribution of returns from taxation is due in part to the reduction effected in direct taxes during the last two years, and in part to increased taxes on articles of consumption, chiefly Customs (re-introduction of the duty on cereals as from September 1, 1925.)

IV. Table II. RECEIPTS FROM TAXES ON INCOME, SALES, TRANSPORT, ETC.

(in million RM)

	Estimated Receipts		Receipts collected						
			Financial year 1926/27				December 1926	March 1927	From April 1, 1926 to March 31, 1927.
	Financial year 1926-1927	Monthly average	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter			
			Monthly average						
Income Tax									
a) on wages	-	-	83.6	93.2	99.8	88.29	105.7	81.4	1 094.72
b) on income from capital	-	-	13.5	5.0	5.5	7.64	3.4	7.5	94.6
c) on other forms of income	-	-	59.6	109.4	100.8	84.74	48.2	39.5	1 064.04
Together	2 100.0	175.0	156.7	207.6	206.1	180.67	157.3	128.4	2 253.3
Corporation Tax...	250.0	20.8	18.1	47.8	32.2	29.15	11.8	10.5	382.0
Tax on Real and Personal Property.....	400.0	33.3	12.1	26.7	34.7	46.35	20.0	29.9	359.3
Turnover Tax.....	974.0	81.2	73.2	67.6	72.8	74.70	64.1	60.7	864.7
Tax on Bourse Transactions.....	50.0	4.2	3.5	6.1	8.5	9.48	9.9	10.0	82.9
Transport Tax.....	325.0	27.1	25.3	27.8	26.8	24.11	25.2	22.3	312.0
Other Taxes.....	377.0	31.4	30.8	34.2	34.1	37.47	35.2	41.6	409.7
TOTAL	4 476.0	373.0	319.7	417.8	415.2	401.93	323.5	303.4	4 663.9

The Tax on Wages (81.4 millions) collected on 24 working days (from February 21 to March 20) shows an increase by comparison with receipts in February (26 working days). It is difficult to obtain an accurate idea of the state of the labour market from these figures, in view of the repayment of excess sums collected in the previous year during the last few months. In all probability the sums repaid in March were at least as great as those repaid in February (RM 15.5 millions).

Tax on other forms of income, Corporation Tax, Tax on Real and Personal Property. The small receipts are explained by the fact that no anticipatory payments have been made. The sums collected in March represent arrears.

Turnover Tax. No anticipatory payments have been made. Receipts in March (60.7 millions) are slightly below those of December (64.1), just as receipts in February (62.8) were below those of November (66.5).

Tax on Bourse Transactions. Receipts from this tax continue to stand at a very high figure (10.0 millions) although slightly below the February figure (12.1 millions).

Transport Tax. Receipts (22.3 millions) show a continuous decline by comparison with preceding months (February 24.4, January 25.7, December 25.2 millions) but exceed those of March 1926 (19.0 millions).

V. The total receipts for the year in respect of Taxes on income, sales, transport, etc. as compared with the original estimates (not including the 219.8 millions of additional estimated receipts foreseen in the supplementary budget) show an increase of 187.9 millions or approximately 4 per cent.

Variations between the estimates and the actual returns from

different categories of taxes were as follows:

	Increase in million RM	Percentage of estimates	Decrease in million RM	Percentage of estimates
Income Tax.....	+ 153.0	+ 7		
Corporation Tax.....	+ 132.0	+ 53		
Tax on Real and Personal Property			- 40.7	- 10
Turnover Tax.....			- 109.3	- 11
Tax on Bourse Transactions.....	+ 32.9	+ 66		
Transport Tax.....			- 13.0	- 4
Other taxes.....	+ 32.7	+ 9		

Large increased returns were obtained from the Corporation Tax and the Tax on Bourse Transactions. In the case of the Income Tax the increase is derived almost entirely from the Tax on "other forms of income", as the Tax on Wages fell short of the final estimate given by the Finance Minister (1100 millions) by 5.3 millions.

By the Law of March 31,1926 (Reichsgesetzblatt I, page 185), which reduced the Tax on Real and Personal Property, it was provided that in the event of returns from this tax failing to reach RM 400 millions during the civil year 1926, the difference between actual receipts and the above total was to be made good by means of additional sums to be collected from the tax-payers in the course of the following year. On December 31, 1926 receipts totalled RM 321.6 millions, leaving a deficit of RM 78.4 millions. Under the terms of the Law this sum should be collected during the financial year 1927-28 in addition to the normal Tax.

VI. Table III. ASSIGNED TAXES AND CUSTOMS ON TOBACCO, BEER, ETC.

The third table shows the receipts from Customs and assigned taxes on consumption.

(in million RM)

	Estimated Receipts		Receipts collected						
			Financial year 1926/27						
	Financial year 1926-1927	Monthly average	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	December 1926	March 1927	From April 1, 1926 to March 31, 1927
			Monthly average						
Customs.....	580.0	48.3	65.3	82.6	78.6	96.88	82.3	93.6	940.4
Tobacco Tax..	655.0	54.6	43.7	56.7	73.3	63.79	73.2	70.7	712.3
Sugar Tax....	265.0	22.1	18.9	28.5	23.2	24.36	24.1	24.0	284.7
Beer Tax.....	235.0	19.6	21.4	26.0	20.3	12.53	18.9	22.3	240.8
Alcohol Monopoly....	172.0	14.3	14.4	16.5	24.0	20.91	38.2	21.9	227.2
TOTAL	1 907.0	158.9	153.7	210.3	219.4	218.40	217.5	232.5	2 405.4

Receipts from these sources continue to prove highly satisfactory. They show an increase of 39.7 millions as compared with those of February 1927, and of 15 millions as compared with December 1926.

Customs. The increase in the receipts is mainly due to payment of duties on goods cleared in December in respect of which a three months' respite was granted

Tobacco Tax. Despite the abolition of the additional tax in December 1926 (receipts from this tax totalled 10.3 millions in December) the March receipts fall short of December receipts by only 2.5 millions.

Sugar Tax. Receipts from this tax once again cover sales effected in the course of a whole month (January) and have once more reached their normal level (24 millions in March, 24.1 millions in December).

Beer Tax. The increase in the receipts is due to the fact that the rate of taxation was raised as from January.

Alcohol Monopoly. Sales remain as before; the March receipts total 21.9 millions as against 18.8 in February and 21.9 in January.

VII. The increase in the receipts during the financial year as compared with the estimates (not including the 219.8 millions to be obtained from all categories of taxes in virtue of the supplementary budget) was 498.4 millions, distributed as follows:

	Increase in million RM	Percentage of estimates
Customs.....	360.4	62
Tobacco Tax.....	57.3	9
Sugar Tax.....	19.7	7
Beer Tax.....	5.8	2
Alcohol Monopoly.....	55.2	32

VIII. The above analysis of receipts provides a complete catalogue of the returns from taxation during the past financial year. A final statement of receipts will be issued towards the end of May but it is unlikely that there will be any great difference as regards the present figures; last year the difference was only RM 0.2 millions.

In order to appreciate the full extent of the increased returns as compared with those of the year 1925-26, it must be remembered that they were obtained despite considerable reductions of taxes: viz. the Income Tax, reduced from 1 per cent to 0.75 per cent as from April 1, 1926; the Tax on Wages where the minimum exempt from taxation was raised from RM 960 to RM 1 200 as from January 1, 1926; the Tax on Property of which by law only three quarters have been collected; various reductions in the Tax on the Movement of Capital (amalgamation of companies, Bourse transactions, etc). The Wine Tax and the Salt Tax have been abolished. As opposed to these reductions there has been only one increase, viz. the Beer Tax increased by one third as from January 1, 1927.

(signed) L. GAILLER-BILLOTTEAU

Translation 4363 (from the French): translated UP: checked BWS.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 9, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH FOR MARCH 1927 AND FOR THE FINANCIAL YEAR 1926-27

(cf. DOC. 247)

The following is the table of receipts and payments of the Reich for the month of March 1927, to which have been added the figures for December - the corresponding month of the previous quarter. The table also shows the provisional figures for the financial year 1926-27, the accounts for which will not be closed until May 15.

	Financial year 1926-1927			
	December 1926	April 1926 to February 1927	March 1927	Total for financial year
	(in millions of RM)			
A. ORDINARY BUDGET.				
Receipts				
a) from taxation	567.3	6 631.8	541.9	7 173.7
b) administrative	48.8	373.5	19.7	393.2
Total	616.1	7 005.3	561.6	7 566.9
Payments				
a) General administrative	472.2	4 149.7	354.7	4 504.4
b) Reparation payments ..	51.4	383.2	49.7	432.9
c) Transfers to the States	176.3	2 388.8	143.7	2 532.5
Total	699.9	6 921.7	548.1	7 469.8
Deficit brought forward	83.8	-	-	-
Surplus brought forward	-	83.6	13.5	97.1
Surpluses from financial years 1924 & 1925, as distributed each month	36.0	364.2	36.0	400.2
Budget deficit	47.8	-	-	-
Budget surplus	-	447.8	49.5	497.3

	Financial year 1926-1927			
	December 1926	April 1926 to February 1927	March 1927	Total for financial year
	(in millions of RM)			
B. EXTRAORDINARY BUDGET.				
Receipts				
a) administrative	0.3	1.6	0.3	1.9
b) proceeds derived up to the present from the 5 per cent loan 1927	-	-	329.4	329.4
Total	0.3	1.6	329.7	331.3
Payments				
a) General administrative, including charges arising out of the war	40.8	403.7	33.6	437.3
b) Reparation payments ..	-	115.1	1.8	116.9
Total	40.8	518.8	35.4	554.2
i.e. net payments to be met	40.5	517.2	-294.3	222.9
C. RECEIPTS AND PAYMENTS FOR THE ACCOUNT OF THE FINANCIAL YEAR 1925-1926.				
Receipts	-	48.7	-	48.7
Payments	38.2	400.9	8.2	409.1

STATE OF THE FLOATING DEBT AS ON	December 31, 1926	February 28, 1927	March 31, 1927
1) Obligations to pay	9.7	9.7	9.7
2) Guarantees	50.9	51.1	51.0
3) Loan from the Post Office	100.0	110.0	110.0

REMARKS

I. Ordinary Budget.

1) The Ordinary Budget showed for March 1927 a surplus of RM 13.5 millions for effective receipts and payments. The surplus is however transformed into a deficit of RM 0.7 millions if offset against the March transfers to the Federal States, on account of taxes collected in February (44.2 millions), and the transfers to be made in April on account of taxes collected in March (58.4 millions).

The apparent surplus for the 12 months of the financial year 1926-27, as shown by the table, stands at RM 97.1 millions and at RM 497.3 millions if we include the surpluses from previous financial years assigned as cover for the expenditure of the current year. Taking into account the transfers still due to the Federal States for March, these figures are reduced to 38.7 and 438.9 million Reichsmarks.

2) As compared with December, the total receipts of the Ordinary Budget have decreased by RM 54.5 millions (receipts from taxation - 25.4 millions; administrative receipts - 29.1 millions). Payments have decreased by RM 151.8 millions (general administrative payments - 117.5 millions; Reparation payments - 1.7 millions; transfers to the Federal States - 32.6 millions).

3) The falling off in the Reparation payments shown in the Ordinary Budget is due to the transfer to the Extraordinary Budget of the payment to the reserve of the Commissioner of Controlled Revenues (see DOC. 243). The March payments are distributed as follows :

Ordinary Budget :

Standard Budget Contribution	RM	9.18 millions
Supplementary Budget Contribution		18.03 "
Transport Tax		22.52 "
Total :	RM	49.73 millions

Extraordinary Budget :

Payment to the reserve of the Commissioner of Controlled Revenues		1.84 "
Total :	RM	51.57 millions

II. Extraordinary Budget.

The payments of the Extraordinary Budget (other than Reparation payments) amount for March to RM 33.6 millions, bringing up to RM 437.3 millions the total payments under this heading since the beginning of the financial year.

The Statement for March includes among the receipts of the Extraordinary Budget the amount of the loan, issued in February 1927, actually subscribed, namely RM 329.5 millions (the amount still outstanding may be estimated at about 123 millions). Accordingly, the total extraordinary expenditure (including Reparation payments) not covered by administrative receipts or by the loan, amounts to RM 222.9 millions.

III. Resumé of the receipts and payments for the financial year 1926-27.

The figures indicated in the official table reproduced above are merely provisional. It is known that until the date fixed by the Minister for the closing of the Budget accounts (second

fortnight of May), certain receipts and payments will be effected for the account of the financial year 1926-27 independently of the outstanding revenue or expenditure to be carried forward to the following financial year.

According to information to hand, the actual receipts and payments of the Ordinary and Extraordinary Budgets for the financial year 1926-27 were as follows as at March 31, 1927 :

	millions of RM
Payments	8 024.0
Receipts	7 568.8
Deficit	455.2

Taking into account the surpluses for the previous financial years assigned to the present financial year (400.2 millions) the deficit is reduced to RM 55 millions, and if the payments made as at March 31 on the loan issued in February 1927 are added thereto (329.4 millions), the deficit is transformed into a surplus of RM 274.4 millions which will advance to approximately 397.4 millions when the outstanding 123 millions in respect of the loan have been paid up. The surplus will have to cover in the first place up to about 250 millions (according to the Minister's Report) of outstanding payments to be made for the financial year 1926-27 after the close of that financial year (Resten). The net surplus for the financial year 1926-27, after deducting the total proceeds of the loan would therefore amount to approximately RM 150 millions, - if the receipts and payments as at March 31, 1927, plus the balance of the loan are alone taken into consideration. The final surplus depends on the receipts and payments booked before the close of the

financial year, the readjustments in the total outstanding revenue and expenditure (Resten) and lastly on the balance of the payments and receipts for the financial year 1925 which have been transferred to the financial year 1926 and will be included in the final accounts for that year. These various accounting transactions will doubtless produce the surplus of RM 200 millions estimated for the cover of the financial year 1927/28.

The receipts and payments effected during the financial year 1926/27 for the account of the financial year 1925-26 (outstanding revenue and expenditure - Resten), close with a deficit of RM 360.4 millions (409.1 - 48.7). The amount (RM 382 millions) carried forward from the financial year 1925-26 to cover the sums appropriated but not paid has therefore only been utilised to the extent of 360.4 millions leaving an available balance of RM 21.6 millions.

The available funds of the Reich as at March 31, 1927, not necessarily in cash at the moment, were therefore composed as follows :

	(millions of RM)
Surplus as at March 31 from the financial year 1926-27	274.4
Outstanding revenue from the financial year 1925-26 not yet utilised	21.6
Working fund (including 190 millions assigned to cover expenditure of the 1927-28 Budget)	251.9
Loan from the Post Office	110.0
	657.9

IV. Floating Debt.

The Floating Debt as at March 31 shows no change as compared with the figures as at February 28.

Transl. 4412. L.G.B.

financial year, the readjustments in the total outstanding revenue and expenditure (Resten) and lastly on the balance of the payments and receipts for the financial year 1925 which have been transferred to the financial year 1926 and will be included in the final accounts for that year. These various accounting transactions will doubtless produce the surplus of RM 200 millions estimated for the cover of the financial year 1927/28.

The receipts and payments effected during the financial year 1926/27 for the account of the financial year 1925-26 (outstanding revenue and expenditure - Resten), close with a deficit of RM 360.4 millions (409.1 - 48.7). The amount (RM 382 millions) carried forward from the financial year 1925-26 to cover the sums appropriated but not paid has therefore only been utilised to the extent of 360.4 millions leaving an available balance of RM 21.6 millions.

The available funds of the Reich as at March 31, 1927, not necessarily in cash at the moment, were therefore composed as follows :

	(millions of RM)
Surplus as at March 31 from the financial year 1926-27	274.4
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Loan from the Post Office	110.0
	657.9

IV. Floating Debt.

The Floating Debt as at March 31 shows no change as compared with the figures as at February 28.

Transl. 4412. L.G.B.

I.I.9.4140 DOC. 254.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 20, 1927.

THE BALANCE SHEET OF THE RENTENBANK

AS ON APRIL 30, 1927.

(see DOC. 251).

The following is the comparison between the balance sheet of the Rentenbank as on April 30, 1927 and the balance sheet as on March 31, 1927:

	Balance sheet of April 30, 1927 (in Rent. M.)	Difference (+ or -) as compared with that of March 31, 1927. (in Rent. M.)
A S S E T S		
Charge upon German agriculture	2 000 000 000.00	-
Rentenbriefe as on March 31, 1927 Rent.M.1 699 844 000 as on April 30, 1927 " 1 699 844 000		
Loans to the Reich	904 117 184.33	- 17 840 194.70
Outstanding credits	268 444 861.00	- 11 000 000.00
Other "debtors"	5 097 071.54	- 2 853 069.35
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	70 130 414.86	- 9 895 462.07
Real property of the Bank	300 000.00	- 25 000.00
Office furniture and supplies	9 920.55	- 85 957.94
Miscellaneous assets	3 386 767.25	- 26 956.65
L I A B I L I T I E S		
Capital	2 000 000 000.00	-
Rentenbank notes in circulation	1 100 406 707.00	- 28 840 196.00
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338.40	-

	Balance sheet of April 30, 1927 (in Rent.M.)	Difference (+ or -) as compared with that of March 31, 1927 (in Rent. M.)
Rentenbriefe in circulation	156 000.00	-
Credit of the Rentenbank Credit Institution	-	- 13 767 338.81
Carried forward	38 638 682.05	+ 2 478 566.45
Reserves	6 145 901.05	-
Miscellaneous liabilities	30 000 777.95	+ 30 000 153.45

After the Balance Sheet for the financial year 1926 had been approved by the General Meeting on April 7, 1927, the profits for the year, i.e. RM 32 478 566.45, were booked in the following manner: 30 million rentenmarks due to be transferred to the Rentenbank-Kreditanstalt were entered under the heading "Miscellaneous liabilities" pending actual transfer; the remainder was paid into the Profits reserve" which is increased from 36 160 115.60 rentenmarks to 38 638 682.05 rentenmarks.

During the month of April 1927 the following sums were paid into the sinking fund at the Reichsbank :

a) Rentenmarks 2 840 194.70 from the owners of mortgaged land;

b) Rentenmarks 15 000 000.00 amount of the quarterly payments of the Reich;

c) Rentenmarks 11 000 000.00 in respect of liquidated credits (§ 11 paragraph 5 of the Law on the Liquidation of Rentenbank Notes)

Since the application of the Law on the Liquidation of Rentenbank Notes (October 11 1924), the following funds have been paid into the sinking fund:

Rentenmarks	145 882 816	in virtue of § 7a of the Law
"	150 000 000	" " " § 7b " " "
"	71 999 338	" " " § 7c " " "
"	611 889 722	" " " §11 " " "
Total :	979 771 876 Rentenmarks	

Translation 4479.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, May 20, 1927.

TAX RECEIPTS OF THE REICH FOR APRIL 1927.

(See DOC. 252).

The Deutsche Reichsanzeiger No. 112 of May 14, 1927 publishes the statement of the tax receipts of the Reich for April 1927.

I. First Table: TAX RECEIPTS AS A WHOLE.

The following table indicates the receipts from the various categories of taxes for April 1927 compared with the receipts for the corresponding months of the preceding year and the preceding quarter: April 1926 and January 1927.

(Millions of Reichsmarks)

	Estimated receipts		Receipts collected			
	Financial year 1927-28	Monthly average	Monthly average Financial year 1926-27	April 1926	January 1927	April 1927
I. Taxes on Income sales, transport, etc.						
a) recurrent	5 280.0	440.0	388.7	425.2	526.4	532.0
b) non-recurrent	25.0	2.1	4.0	8.2	2.2	7.2
II. Customs and Taxes on Tobacco, Beer, etc.						
a) assigned	2 410.0	200.8	200.4	143.6	229.9	206.4
b) other	35.0	2.9	4.7	7.6	5.0	3.5
III. Miscellaneous	-	-	-	-	-	-
Total	7 750.0	645.8	597.8	584.6	763.5	749.1

The receipts for April are satisfactory. They were only 14.4 millions less than in January, which had benefited by certain exceptional incomings. This difference is due entirely to the receipts from Customs and taxes on tobacco, beer, etc. (assigned) which show a reduction of 23.5 millions. The taxes on income, sales, transport, etc. on the other hand show an increase of 5.6 millions. Compared with April 1926, the increase in receipts amounted to 164.5 millions (taxes on income, etc. an increase of 106.8; Customs and assigned taxes an increase of 62.8 million RM).

The receipts from non-recurrent taxes, 7.2 million RM, represent the proceeds of the tax on revalorised bonds which fell due on April 1, 1927.

II. Second Table: RECEIPTS FROM TAXES ON INCOME, SALES, ETC.

(Millions of Reichsmarks)

	Estimated receipts		Receipts collected			
	Financial year 1927-28	Monthly average	Monthly average Financial year 1926-27	April 1926	Jan. 1927	April 1927
Income Tax:						
a) on wages	1 200.0	100.0	91.2	79.5	103.7	91.9
b) on income from capital	120.0	10.0	7.9	15.6	12.1	24.2
c) other forms of income	1 300.0	108.3	88.7	120.6	167.9	152.9
Total	2 620.0	218.3	187.8	215.7	283.7	269.0
Corporation Income Tax	400.0	33.3	31.8	36.3	65.5	72.9
Tax on real and personal property	470.0	39.2	29.9	14.3	12.2	21.3
Turnover Tax	900.0	75.0	72.1	99.6	100.7	91.0
Tax on Bourse Transactions	66.0	5.5	6.9	4.1	6.3	7.6
Transport Tax	325.0	27.1	26.0	28.1	25.7	25.9
Other Taxes	499.0	41.6	34.2	27.1	32.3	44.3
Total	5 280.0	440.0	388.7	425.2	526.4	532.0

Tax on Wages.

The Tax on Wages (91.9 millions) shows an appreciable increase over the receipts for the last two months (March RM. 81.4 millions, February 89.8 millions), being nearer the figures obtained for January and December last (103.6 millions and 105.7 millions respectively). We do not yet know for March and April the figures for the reimbursement of sums collected in excess during the preceding year (RM. 7.8 millions in January 1927 and 15.5 millions in February): but it may be seen from this increase in receipts how the labour market has improved, especially as the receipts for April are lower as a result of the alterations in the collection dates.

Up to the present the amounts deducted from wages in respect of the wages tax have been paid by the employers three times a month as follows:

on the 5th of the month in respect of amounts deducted from the 21st to the end of the preceding month;

on the 15th in respect of amouts deducted between the 1st and the 10th of the preceding month;

on the 25th in respect of amounts deducted between the 11th and the 20th of the preceding month.

A decision of February 19, 1927 of the Finance Minister (R.M.Bl.13) stated that as from April 1, 1927 payments in respect of wages tax previously deducted would henceforth be made twice a month only viz:

on the 5th in respect of amounts deducted during the second half of the preceding month;

on the 20th in respect of amounts deducted during the first half of the preceding month.

Further, payments not exceeding RM. 200 due on the 20th of the month are carried forward to the 5th of the following month.

As a result of these modifications, the receipts for April only include

the payments on April 5 and April 20, comprising amounts deducted over 22 working days, whereas the receipts for March represent amounts deducted over 24 days. Further, certain receipts due for the first fortnight of April (payments of less than RM. 200) will only be made on May 5.

Taxes on other forms of income, Corporation Income Tax and Tax on Real and Personal Property.

A provisional payment in respect of taxes on other forms of income and corporation income fell due in April; in the case of the former the figure was 15 millions less, and for the latter 7.4 millions more, than the corresponding payment in January.

As for the receipts from the tax on real and personal property they only represent arrears on the payment which fell due in February.

Tax on Turnover. In April a payment fell due in respect of occupations subject to the quarterly payment. The yield of the tax is still 9.7 millions less than that for January 1927 and 8.6 millions less than that for April 1926, but at that time the tax was collected (for the last time) at the rate of 1 per cent, the rate being then reduced to 0.75 per cent.

The volume of business calculated according to the returns from the tax, account being taken of the variations of the rate of the tax, is indicated in the following table:

Volume of business per quarter

(Millions of Reichsmarks)

	Year 1924	% *	Year 1925	%
1st quarter	15 121	57.3	25 112	95.1
2nd "	16 892	64.0	25 294	95.8
3rd "	19 265	73.0	25 962	98.4
4th "	24 722	93.7	29 202	110.6
	Year 1926		Year 1927	
1st quarter	23 999	90.9	28 586	108.3
2nd "	26 758	101.4		
3rd "	27 973	106.0		
4th "	30 836	116.8		

* The average volume of quarterly business for 1925 = 100.

The volume of business regularly shows a fall during the first quarter of each year; this year the fall has not been appreciable, which reflects the improvement in the business position.

Tax on Bourse Transactions.

The receipts are still high (7.6 millions) but show a considerable reduction as compared with February (12.1 millions) and March (10 millions).

Transport Tax.

The receipts (RM. 25.9 millions) are slightly more than in February (24.4 millions) or in March (22.3 millions) and are up to the figure for December 1926 (25.2) and January 1927 (25.7).

The increase in the receipts from "other taxes" as compared with January is due to the increase in the automobile tax (12.8 millions as against 7.4 millions), and the race betting and lottery taxes.

III. Third Table: ASSIGNED CUSTOMS AND TAXES ON TOBACCO, BEER, ETC.

The third table shows the receipts from Customs and assigned taxes:

(Millions of Reichsmarks)

	Estimated receipts		Receipts collected			
	Financial year 1927-28	Monthly average	Monthly average Financial year 1926-27	April 1926	January 1927	April 1927
Customs	890.0	74.2	78.4	48.2	120.9	90.9
Tobacco Tax	700.0	58.3	59.4	43.8	61.0	53.9
Sugar Tax	275.0	22.9	23.7	16.3	23.3	19.2
Beer Tax	335.0	27.9	20.0	20.4	2.8	23.5
Spirits Monopoly	210.0	17.5	18.9	14.9	21.9	18.9
Total	2 410.0	200.8	200.4	143.6	229.9	206.4

These receipts slightly exceed the average estimated for the year. They show as compared with January 1927 a fall of 23.9 millions but compared with April 1926 an increase of 62.8 millions.

In January the receipts from Customs were increased by a half-yearly settlement date for certain taxpayers. The fall in the receipts from the tobacco tax is due to the reduction in sales of banderoles during the second half of December and the first half of January.

IV. CONCLUSIONS.

It is not possible to draw any exact conclusions from the yield of the first month of the financial year. All that can be said is that the yield of the receipts for this month seems generally to justify the increase in the budget estimates, to which the results obtained during the last few months of the preceding financial year already pointed.

L. G. B.

Transl. 4459.
QW.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 17, 1927.

THE BALANCE SHEET OF THE RENTENBANK

AS AT MAY 31, 1927.

(see DOC. 254).

The following is the comparison between the balance sheet of the Rentenbank as on May 31, 1927 and the balance sheet as on April 30, 1927 :

	Balance sheet of May 31, 1927 (in Rent.M.)	Difference as compared with that of April 30, 1927. (in Rent.M.)
ASSETS		
Charge upon German agriculture	2 000 000 000.--	-
Rentenbriefe as on April 30,1927 Rent.M. 1 699 844 000 " " May 31,1927 " 1 699 844 000		
Loan to the Reich	876 566 414.59	- 27 550 769.74
Outstanding credits	268 444 861.--	-
Other "debtors"	4 731 399.41	- 365 672.13
Balance in hand, giro accounts, postal cheque accounts and accounts with other banks	71 579 278.01	+ 1 448 863.15
Real property of the Bank	300 000.--	-
Office furniture and supplies	9 920.55	-
Miscellaneous assets	3 386 767.25	-
LIABILITIES		
Capital	2 000 000 000.--	-
Rentenbank notes in circulation	1 072 855 938.--	- 27 550 769.--

	Balance sheet of May 31, 1927 (in Rent.M.)	Difference as compared with that of April 30,1927. (in Rent.M.)
Redemption of Rentenmarks in conformity with § 7c of the Law on the liquidation of Rentenbank notes	71 999 338.40	-
Rentenbriefe in circulation	156 000.--	-
Credit of the Rentenbank Credit Institution	-	-
Carried forward	38 638 682.05	-
Reserves	6 144 701.05	- 1 200
Miscellaneous liabilities	30 000 561.14	- 216.81

In May 1927, 27 550 769.74 Rentenmarks derived from the owners of mortgaged land were paid in to the Sinking Fund instituted at the Reichsbank; the items "Loan to the Reich" and "Rentenbank notes in circulation" have been reduced to a corresponding extent.

Since the application of the Law on the Liquidation of Rentenbank notes (October 11, 1924) the following sums have been paid into the Sinking Fund :

Rentenmarks	173 433 585	in virtue of § 7a of the Law
"	150 000 000	" " " § 7b " " "
"	71 999 338	" " " § 7c " " "
"	611 889 722	" " " § 11 " " "
Total	1 007 322 645	Rentenmarks

Transl. 4591.
QW.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 24, 1927.

TAX RECEIPTS OF THE REICH FOR THE MONTH OF MAY 1927.

(see DOC. 255)

The Deutscher Reichsanzeiger No. 138 of June 16, 1927 publishes the summary of the tax receipts of the Reich for May 1927.

I. Table One. AGGREGATE TAX RECEIPTS.

The following table shows the receipts from the various categories of taxation for May 1927 as compared with the receipts for the corresponding months of the previous year and of the preceding quarter: May 1926 and February 1927.

(in millions of Reichsmarks)

	Estimated receipts		Receipts collected			
	Financial year 1927-28	Monthly average	May 1926	February 1927	May 1927	Total for the first two months of the fin.yr.1927-28
I. Taxes on Income, sales, transport, etc.						
a) recurrent	5 280.0	440.0	270.5	376.0	382.4	914.5
b) non-recurrent	25.0	2.1	3.6	2.6	1.9	9.0
II. Customs and Taxes on Beer, Tobacco, etc.						
a) assigned	2 410.0	200.8	153.8	192.8	234.6	441.0
b) other	35.0	2.9	7.5	3.7	3.9	7.4
III. Miscellaneous	-	-	-	-	-	-
Total	7 750.0	645.8	435.4	575.1	622.8	1 371.9

The receipts for May continue to be satisfactory. The reduction of 126.2 millions as compared with the receipts for April is attributable to the periodical tax instalments which fell due in that month. The May receipts mark a considerable advance (187.4 millions) over the receipts for May 1926 (taxes on income, sales, transport etc.: + 110.2 millions; Customs and taxes on beer, tobacco etc.: + 77.2 millions). They also exceed by 47.7 millions the receipts for February (taxes on income, sales, transport, etc.: + 5.7 millions; Customs and taxes on beer, tobacco, etc.: + 42.0 millions).

II. Table Two: RECEIPTS FROM THE TAXES ON INCOME, SALES, TRANSPORT, ETC.

(in millions of Reichsmarks)

	Estimated receipts		Receipts collected			
	Financial year 1927-28	Monthly average	May 1926	February 1927	May 1927	Total for the first two months of the fin.yr.1927-28
Income Tax:						
a) on wages	1 200.0	100.0	82.6	79.8	100.1	192.0
b) on income from capital	120.0	10.0	9.8	3.3	16.8	41.0
c) on other forms of income	1 300.0	108.3	38.1	46.9	59.6	212.5
Together	2 620.0	218.3	130.5	130.0	176.5	445.5
Corporation Income Tax	400.0	33.3	11.1	11.4	11.9	84.8
Tax on real and personal property	470.0	39.2	13.2	96.9	75.3	96.5
Turnover Tax	900.0	75.0	61.8	62.8	32.7	123.7
Tax on Bourse transactions	66.0	5.5	3.7	12.1	11.0	18.7
Transport Tax	325.0	27.1	21.7	24.4	27.6	53.5
Other Taxes	499.0	41.6	28.5	38.4	47.4	91.8
Total	5 280.0	440.0	270.5	376.0	382.4	914.5

The Tax on Wages (100.1 millions) shows an increase over the receipts for the last few months (February 79.8; March 81.4 and April 91.9 million Reichsmarks). The receipts relate to sums deducted at the source on wages paid from April 16 to May 15, (see DOC. 255), that is for 24 working days, and also include payments not exceeding RM 200 for the first fortnight of April. The

receipts for February, March and April were for 26, 24 and 22 working days respectively. The May receipts mark an improvement in the labour market as compared with those for February and March, but the improvement as compared with the April receipts, in view of the larger number of working days, does not appear to have been as great.

Taxes on other forms of income and Corporation Income Tax.

In so far as the taxes on other forms of income and Corporation Income Tax are concerned, there has been no provisional instalment except for agriculturalists. The receipts from the other forms of income show an increase of 12.7 millions over the returns for last February, while the receipts from Corporation Income Tax remain at the same figure of 0.5 millions approximately.

Tax on Real and Personal Property.

A provisional instalment of the Tax on Real and Personal Property - equal to one quarter of the tax fixed for 1925 and 1926 - fell due on May 15, 1927. The returns were 21.6 millions less than those for February. No comparison can be drawn with the receipts for May 1926, since the instalment of the tax on real and personal property which should have fallen due in that month was cancelled under the Law of March 31, 1926 (see DOC. 198).

Turnover Tax.

The low receipts from the Turnover Tax in May are due to the application of the new provisions for the payment of the tax. The monthly payments have been dropped and replaced by quarterly instalments. The payment of July 10, 1927 will relate to business done in April, May and June. It is however permissible for taxpayers liable to monthly payments to continue on the same basis.

Tax on Bourse Transactions.

Despite the falling off recorded in April (7.6 millions) the May receipts which amount to 11.0 millions are again very high and approximate the maximum of 12.1 millions reached in February 1927.

Transport Tax.

The May receipts (27.6 millions) represent a considerable increase over those for February 1927 (24.4 millions) and for May 1926 (21.7 millions) and reflect the improvement in the economic position.

The increase in the receipts from "Other taxes" for May as compared with February 1927 is primarily due to the Automobile Tax (14.1 millions against 7.7 millions) and to the Race Betting Tax.

III. Table Three: CUSTOMS AND TAXES ON BEER, TOBACCO, ETC. (ASSIGNED).

The third table shows the receipts from the Customs and other assigned revenues.

(in millions of Reichsmarks)

	Estimated receipts		Receipts collected			
	Financial year 1927-28	Monthly average	May 1926	February 1927	May 1927	Total for the first two months of the fin.yr.1927-28
Customs	890.0	74.2	54.8	76.2	97.4	188.4
Tobacco Tax	700.0	58.3	44.8	59.6	61.5	115.4
Sugar Tax	275.0	22.9	19.2	25.7	23.9	43.1
Beer Tax	335.0	27.9	21.2	12.5	28.5	52.0
Alcohol Monopoly	210.0	17.5	13.8	18.8	23.3	42.1
Total	2 410.0	200.8	153.8	192.8	234.6	441.0

The May receipts exceed by about 34 millions the estimated monthly average for the financial year 1927-28. They show an advance of 80.8 millions over the receipts for May 1926, and of 41.8 millions as compared with February 1927.

The large Customs receipts are due to the growth in the imports of cereals and finished products. The receipts from the Tobacco and Sugar Taxes, which are higher than those for May 1926, are practically the same as those for February last.

The advance in the receipts from the Beer Tax is derived from substantial sales effected last March as well as from the increased duties as from January 1, 1927. (The receipts for February 1927 as a result of the adjustment to the new system of payment related only to sales effected during the second fortnight of December).

The receipts from the Alcohol Monopoly (23.3 millions) show a considerable advance over the receipts for May 1926 (13.8 millions) and for February 1927 (18.8 millions). This increase in the receipts is due to the larger sales in anticipation of the raising of the duties. The increase in the duties has just been introduced by a Ministerial Resolution of May 28, (Deutscher Reichsanzeiger No. 123). The Reich duty on the selling price per hectolitre of 100 per cent spirit has been raised from RM 280 to RM 330.

IV. Apart from the receipts recurring each month, only two non-recurrent payments were recorded in May: one, which was relatively low, for Income Tax (Agriculturalists' instalment) and the other for the Tax on Real and Personal Property. Nevertheless, the returns are only 23 millions less than the yearly average. This result is to be attributed more particularly to the Customs duties and taxes on consumption, but the movement of the aggregate receipts remains equally favourable and failing unforeseen circumstances, the prospects seem to be that the budget estimates will at least be reached.

M. H.

Transl. 4599.
QN.

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, June 24, 1927.

FINANCES OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH FOR APRIL 1927.

(Cf.DOC.253).

I. The Deutscher Reichsanzeiger No.143 of June 22, 1927, publishes the statement of receipts and payments of the Reich for April 1927.

The statement, the publication of which is more than a fortnight later than the usual date, is presented in a new form:

a) It gives much more detailed information than formerly on the various categories of receipts and payments; in general the classification follows that adopted in the recent Report of the Agent General. The division between the ordinary Budget and the extraordinary Budget is retained, but a general balance is shown for the two Budgets. On the other hand, the separate particulars relating to receipts and payments in respect of the previous financial year are omitted.

b) The table is given in the form of the budget accounts for a financial year. The transfers from the financial year 1926-27 to the financial year 1927-28 are shown in the accounts as follows:

Before the statement of receipts and payments in respect of the ordinary and extraordinary Budgets for April, the balance of accounts for each budget is indicated as follows:

Under the assets of the Ordinary Budget the following entries are made:

1. the amount reserved at the close of the financial year 1926-27 to

cover the balance of "outstanding expenditures" over "outstanding revenues" *..... 348.5 million RM

2. the amount of the net surplus of the ordinary budget for 1926-27 transferred to the ordinary budget for 1927-28..... 199.5 " "

leaving a total sum available for the ordinary budget of.. 548.0 million RM.

Under the liabilities of the Extraordinary Budget is entered the balance of actual expenditures over revenues**, which has to be covered from the proceeds of loans to be raised at a later date.....-290.0 " "

The net balance of..... 258.0 million RM corresponds to the figure given in the recent Report of the Agent General as the balance for the financial year 1926-27. (Page 27 of English text.)

On this basis the statement issued by the Finance Ministry, after balancing receipts and payments for the two budgets for April, shows the position of the available funds existing at the end of April. Below is a translation of the statement, as published by the Reichsanzeiger.

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* "Outstanding expenditures"..... 423.0 million RM
"Outstanding revenues" ..... 74.5 " "
Balance to be expended..... 348.5 " "

** This balance corresponds exactly to the sum by which the "outstanding revenues" of the Extraordinary Budget exceed the "outstanding expenditures" for 1926-27:
"Outstanding revenues" ..... 571.6 million RM
"Outstanding expenditures" ..... 281.0 " "
Balance to be received..... 290.0 " "
As a matter of fact, the "outstanding revenues" are made up entirely of resources to be derived from loans; they are destined to cover both the surplus of actual expenditures over revenues and the "outstanding expenditures" transferred to the financial year 1927-28, which, in the statement here analysed, are added to the extraordinary expenditures for 1927-28.

II. Statement of receipts and payments of the Reich during the month of April in the financial year 1927-28.

April 1927.
(Millions of RM)

A. ORDINARY BUDGET.

I. Carried forward from the financial year 1926

a) to cover payments still to be made for the financial year 1926 (outstanding expenditures minus outstanding revenues).....	348.5	
b) net surplus of the financial year 1926....	199.5	548.0

II. Receipts
(Receipts estimated in the 1927 budget = 8 659.0)

1.	Taxes, Customs and dues.....	749.1
2.	Seigniorage on the coinage.....	0.1
3.	Profits of the Postal Service and of the Reich Printing Press.....	-
4.	Dividend on shares of the German Railway Company belonging to the Reich.....	-
5.	Various administrative receipts.....	7.7
	Total receipts.....	756.9

III. Payments
(Payments estimated in the 1927 budget = 8 659.0)

1.	Tax transfers to the Federal States.....	203.6
2.	Salaries.....	54.4
3.	Pensions.....	125.9
4.	Social insurance.....	19.2
5.	Unemployment relief.....	45.7
6.	Army - payments for material.....	22.5
7.	Navy - payments for material.....	8.8
8.	Communications.....	9.1
9.	Public debt: interest and amortisation.....	14.9
10.	Public debt: revalorised debt.....	3.3
11.	Safety police.....	15.7
12.	Internal war charges.....	12.7
13.	Reparation payments.....	49.8
14.	Miscellaneous.....	72.5
	Total payments.....	658.1
	Deficit.....	-
	Surplus.....	98.8

B. EXTRAORDINARY BUDGET. (millions of RM)

I. Carried forward from the financial year 1926, balance of payments over receipts to be covered from the proceeds of subsequent loans..... - 290.0

II. Receipts
(Receipts estimated in the 1927 Budget = 9.8
Estimated amount of loans..... 466.4

Total estimated receipts..... 476.2)

1.	Administrative receipts.....	0.6
2.	Proceeds of 5 per cent loan 1927.....	5.4
	Total receipts.....	6.0

III. Payments
(Payments estimated in the 1927 Budget = 476.2
Further, RM 281.6 millions in expenditures outstanding from the financial year 1926-27, which are to be covered, in addition to the 290 millions mentioned, from the proceeds of subsequent loans.)

1.	Productive unemployment relief.....	0.1
2.	Communications.....	7.8
3.	Internal war charges.....	7.2
4.	Reparation payments.....	1.8
5.	Miscellaneous.....	8.2
	Total payments.....	25.1
	Deficit.....	19.1

BALANCE.

A. ORDINARY BUDGET :

1.	Brought forward from the financial year 1926.....	548.0
2.	Surplus for April.....	98.8
		646.8

B. EXTRAORDINARY BUDGET :

1.	Brought forward from the financial year 1926.....	- 290.0
2.	Deficit for April.....	- 19.1
		- 309.1
	Balance.....	337.7

Remarks :

1. Out of the proceeds of taxation for April 1927, a further 100.9 millions were transferred in May to the Federal States.

2. Amount of floating debt :

	as at March 31, 1927	as at April 30, 1927
1. Obligations to pay as a result of the issue of Treasury bonds.....	9.7	9.7
2. Guarantees.....	51.0	51.1
3. Loan from the Postal Service.....	110.0	110.0

III. Observations.

A. The above table shows for the first month of the financial year - leaving out of account transfers from the financial year 1926 -

in the Ordinary Budget - a surplus of..... 98.8 million RM
in the Extraordinary Budget - a deficit of.. 19.1 " "

or on balance a surplus of..... 79.7 " "

If it is remembered, however, that 100.9 millions of the transfers due to the Federal States for the April taxes were not transferred until May, the surplus indicated for the Ordinary Budget is converted into a deficit of (100.9 - 98.8 =) 2.1 million RM.

Further, the Extraordinary Budget shows, under receipts, the 5.4 millions received in April in respect of the 5 per cent loan issued in February 1927; if this sum is deducted, the deficit rises from 19.1 to 24.5 million RM.

Consequently, if the expenditures belonging to April are balanced against its normal resources, the month closes with a deficit of 2.1 + 24.5 = 26.6 million RM.

B. The total position as at April 30, including outstanding balances and surpluses from the financial year 1926-27 and the proceeds of the loan issued in February 1927, leaves a favourable balance of RM 337.7 millions, which should in reality be reduced to 236.8 millions if the amount of the tax transfers, paid to the Federal States in May for

the account of April, are included in the April payments.

C. This balance does not of course reflect a cash position, but a budgetary position indicating the assets of the Reich as shown in the budgetary accounts.

From this point of view the available budget funds would seem to have been made up as follows on April 30 :

Assets as at April 30.....	337.7	million	RM
Working funds.....	251.9	"	"
Loan from the Postal Service (not shown in the budget).....	110.0	"	"
	699.6	"	"
minus			
Transfers to the Federal States still to be effected in respect of April.....	100.9	"	"
	598.7	"	"

D. The figures indicated for reparation payments are made up as follows :

1. Ordinary Budget :

Normal budget contribution.....	9.2	million	RM
Supplementary budget contribution	18.0	"	"
Transport tax.....	22.6	"	"
Total.....	49.8	"	"

2. Extraordinary Budget :

Reserve of the Commissioner of Controlled Revenues.....	1.8	"	"
Grand total.....	51.6	"	"

IV. Floating Debt.

The position of the floating debt as at April 30 does not differ to any considerable extent from the figures as at March 30.

M. H.

Transl. 4609.
AA

TRANSFER COMMITTEE

ECONOMIC SERVICE

BERLIN, July 5, 1927.

FINANCE OF THE REICH

RECEIPTS AND PAYMENTS OF THE REICH IN MAY 1927.

(Cf. DOC. 258)

I. The Deutscher Reichsanzeiger No. 152 of July 2, 1927 publishes the statement of receipts and payments of the Reich for May 1927.

After the delay in publishing the figures for April caused by re-drafting the table, the May results are issued at the usual date.

The table is given on identical lines with that of the previous month; there is therefore no need to repeat the explanations contained in DOC. 258. The translation of the statement repeating the April figures and giving the total for the two months is given below.

II. STATEMENT OF RECEIPTS AND PAYMENTS OF THE REICH

during April and May of the financial year 1927/28.

A. ORDINARY BUDGET.	April 1927	May 1927	Total
	(in millions of RM)		
I. Brought forward from the financial year 1926,			
a) to meet outstanding payments of the financial year 1926 (Outstanding payments less outstanding receipts).....348.5			
b) net surplus from the financial year 1926 .....199.5	548.0		
II. RECEIPTS: (Receipts as estimated in the 1927 budget : 8 659.0)			
1. Taxes, Customs and taxes on consumption, etc. ...	749.1	622.8	1 371.9
2. Seigniorage on the coinage	0.1	0.4	0.5
3. Surplus from the Postal Service and Printing Office of the Reich	-	-	-
4. Dividend on the shares of the German Railway Company owned by the Reich	-	-	-
5. Miscellaneous administrative receipts	7.7	30.6	38.3
Total receipts	756.9	653.8	1 410.7
III. PAYMENTS : (Payments as estimated in the 1927 budget : 8 659.0)			
1. Transfers of taxes to the Federal States	203.6	200.4	404.0
2. Salaries	54.4	62.3	116.7
3. Pensions	125.9	123.9	249.8
4. Social insurance	19.2	18.2	37.4
5. Unemployment relief	45.7	21.7	67.4
6. Army - payments for material	22.5	13.3	35.8
7. Navy - payments for material	8.8	9.6	18.4
8. Communications	9.1	10.6	19.7
9. Public debt : interest and amortisation	14.9	0.4	15.3
10. Public debt : revalorised debt	3.3	75.2	78.5
11. Safety Police	15.7	15.8	31.5
12. Internal war charges	12.7	15.1	27.8
13. Reparation payments	49.8	66.7	116.5
14. Miscellaneous	72.5	96.8	169.3
Total payments	658.1	730.0	1 388.1
Deficit	-	76.2	
Surplus	98.8		22.6

B. EXTRAORDINARY BUDGET.	April 1927	May 1927	Total
	(In millions of RM)		
I. Brought forward from the financial year 1926, excess of payments over receipts which has to be met out of the yield from subsequent loans	- 290.0		
II. RECEIPTS : (Receipts estimated in the 1927 budget ..... 9.8 Loans estimated ..... 466.4 Total estimated receipts ... 476.2)			
1. Administrative receipts	0.6	0.1	0.7
2. Yield from the 5 per cent 1927 loan	5.4	10.9	16.3
Total receipts	6.0	11.0	17.0
III. PAYMENTS : (Payments estimated in the 1927 budget ..... 476.2 In addition RM 281.6 millions of payments outstanding from the financial year 1926/27, which have to be met together with the 290 millions mentioned above, out of the yield of subsequent loans).			
1. Productive unemployment relief	0.1	4.9	5.0
2. Communications	7.8	7.2	15.0
3. Internal war charges	7.2	1.1	8.3
4. Reparation payments	1.8	1.8	3.6
5. Miscellaneous	8.2	47.3	55.5
Total payments	25.1	62.3	87.4
Deficit	19.1	51.3	70.4
B A L A N C E			
A. ORDINARY BUDGET :			
1. Brought forward from the financial year 1926	548.0	548.0	548.0
2. Surplus in April and May 1927		98.8	22.6
		646.8	570.6
B. EXTRAORDINARY BUDGET :			
1. Brought forward from the financial year 1926	- 290.0	- 290.0	- 290.0
2. Deficit in April and May 1927		- 19.1	- 70.4
		- 309.1	- 360.4
Balance	258.0	337.7	210.2

REMARKS

1. Of the yield from taxation in May 1927, 66 millions were transferred to the Federal States in June.

2. Extent of the Floating Debt as at

	March 31 1927	April 30 1927	May 31 1927
1. Obligations to pay in respect of the issue of Treasury Bonds ...	9.7	9.7	9.7
2. Guarantees	51.0	51.1	51.1
3. Loan from the Postal Service	110.0	110.0	110.0

III. OBSERVATIONS

A. ORDINARY BUDGET

The May results are less favourable than those of April. This is explained, as regards receipts, by the fact that May was a month of comparatively small receipts owing to the absence of anticipatory payments for taxes yielding large returns (see DOC. 257), and by the fact that payments included an exceptional large payment to which reference will be made later. The first two months of the financial year yield a small surplus of RM 22.6 millions, which - if the transfers to the Federal States due in May but not affected until June are taken into account - resolves itself into a deficit of RM 43.4 millions.

It will be noted that the item "Public debt : revalorised debt" shows a payment of RM 75.2 millions as against only 3.3 millions in April. As there have been no drawings for redemption of the debt since December this payment must be due - at any rate very largely - to lump sum cash payments (Barablösung) established under Article 47 of the Law of July 16, 1925, on revalorisation in favour of small holders. A vote of RM 150 as included in the 1925/26 budget in respect of these payments; no use was made of it either in that year or in the following financial year, and the vote was then

transferred intact (among outstanding payments) to the financial year 1927/28.

If this item is deducted from the total payments the balance - RM 654.8 millions - is not far short of the April figure - RM 658.1 millions - despite certain natural fluctuations.

Next to the revalorised debt the item showing the largest increase - apart from the item "Miscellaneous" (RM 96.8 millions as against 72.5 in April) - is "Reparation payments", which has risen from RM 49.8 millions to 66.7 millions. This increase is explained by the raising of the supplementary budgetary contribution, which rose from GM 18 millions to 34.8 millions as from May 1. The item "Reparation payments" comprises the following :

	(million RM)
Normal budgetary contribution	9.2
Supplementary budgetary contribution	34.9
Transport Tax	22.6
	66.7

Among the other items the remarkable decline of payments for "Unemployment relief" (RM 21.7 millions as against 45.7 millions) shows the improvement of the labour market and will doubtless continue during the summer months at any rate.

B. EXTRAORDINARY BUDGET

There has been a marked increase in payments under the extraordinary budget (from RM 25.1 millions to 62.3 millions) although it is impossible to assign the causes of this increase, which is almost entirely confined to the item "Miscellaneous" (RM 47.3 millions as against 8.2 millions). For the first two months the average of extraordinary payments (RM 43.7 millions)

is slightly above the average (39.6 millions) shown in the budget estimates, while it is below the average which would be obtained from the estimate plus the transfers from 1926/27 (1).

As regards receipts this budget has so far nothing to show, apart from a few minor administrative receipts, except the yield from the 5 per cent 1927 loan, which totalled RM 5.4 millions in April and 10.9 millions in May, i.e. RM 16.3 millions for the two months. Approximately RM 106.8 millions are still due under this heading.

In the absence of returns the two months show a deficit of RM 70.4 millions to which must be added the deficit of RM 290 millions remaining from the financial year 1926/27. The total deficit of RM 360.4 millions in the extraordinary budget is counteracted by the surpluses and the sums transferred from the ordinary budget.

C. BALANCE AS AT MAY 31.

The balance for the first two months compared with that of March 31 is as follows :

(in million RM)

	March 31, 1927	May 31, 1927
Ordinary Budget	+ 548	+ 570.6
Extraordin ry Budget	- 290	- 360.4
Balance	+ 258	+ 210.2

(1) Budget estimates .....RM 476.2 millions
Transfers from 1926/27 ..... " 281.6 "
" 757.8 "

Monthly average = RM 63.1 millions.

If the RM 66 millions due to be transferred to the Federal States in May but not paid until June are taken into account, the actual balance is reduced to RM 144.2 millions.

The outcome of these figures is that, although receipts are very satisfactory, the extraordinary budget is insufficiently supplied by loans and tends to absorb the reserves of the ordinary budget.

As from October 1 the Reich will no longer be able to meet extraordinary payments by counting on possible surplus receipts, which will have to cover payments already decided on in principle in respect of the raising of salaries, pensions and grants; these additional payments are estimated at nearly 40 millions a month.

It now appears as if the Reich would be obliged to borrow, by the beginning of the second half of the financial year, unless extraordinary payments are very considerably cut down.

L.G.-B.

Transl. 4647.
DR.